

## Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	IRON COUNTY	County	IRON	Type	COUNTY	MuniCode	36-0-000
Opinion Date-Use Calendar	6/24/08	Audit Submitted-Use Calendar	6/26/08	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 4,394,032.00
General Fund Expenditure:	\$ 4,175,385.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,059,218.00
Governmental Activities Long-Term Debt (see instructions):	\$ 13,784,287.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Kevin	Last Name	Pascoe	Ten Digit License Number			1101026882
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**COUNTY OF IRON, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2007**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
County of Iron  
Crystal Falls, Michigan 49920

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Iron, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Iron's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Iron County Medical Care Facility, which represent 54%, 52%, and 63%, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Iron County Medical Care Facility, is based on the report of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Iron, Michigan as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008, on our consideration of the County of Iron, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 12 and 59 through 64, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Iron's basic financial statements. The combining nonmajor fund financial statements and the continuing disclosure filing are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the County of Iron, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

June 24, 2008

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Iron County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2007. Please read it in conjunction with the County's financial statements, which begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the County were reported at \$(1,928,380) for 2007 and were \$(2,894,878) for 2006, an increase of \$966,498. For 2007, net assets for our business-type activities were \$1,951,495 while net assets in our governmental activities were \$(3,879,875).
- The County's expenses for 2007 totaled \$7,032,688, revenues totaled \$7,957,381, and net transfers totaled \$41,805 resulting in an increase of net assets in the amount of \$966,498.
- In the County's business type activities, total revenues were \$370,931, or 4.7% of total revenue, expenses totaled \$146,432, or 2.1% of total expenses, and net transfers were \$(44,825). This provides excess revenue over expenses of \$179,674.
- The General Fund reported an increase in fund balance of \$154,158 in 2007 and an increase of \$206,385 in 2006, representing a change in fund balance of 17.0% and 29.5%, respectively. This was after revenues of \$4,394,032 compared to \$4,212,024 in 2006, and expenditures of \$4,175,385 compared to expenditures of \$4,020,295 in 2006.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13, 14 and 15) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 16. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County as a Whole

#### Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes, state and federal grant funds, and charges for services make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The Construction Code and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; County Road Commission, District Health Department and Medical Care Facility, which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.



## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

### **Reporting the County's Most Significant Funds**

#### **Fund Financial Statements**

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 16 and provide detailed information on the most significant funds - not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

#### **The County as a Trustee**

The County is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 25. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### The County as a Whole

The County's combined net assets increased by \$966,498.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Assets:				
Current and other assets	\$ 7,290,128	\$ 7,284,945	\$ 1,944,312	\$ 1,768,872
Capital assets (net)	5,619,080	5,608,602	9,000	12,000
Total Assets	<u>12,909,208</u>	<u>12,893,547</u>	<u>1,953,312</u>	<u>1,780,872</u>
Liabilities:				
Long-term debt outstanding	13,784,287	14,323,916	-	-
Other liabilities	3,004,796	3,236,330	1,817	9,051
Total Liabilities	<u>16,789,083</u>	<u>17,560,246</u>	<u>1,817</u>	<u>9,051</u>
Net Assets:				
Invested in capital assets, net of related debt	739,850	486,372	9,000	12,000
Restricted assets:				
Expendable	485,873	540,561	-	-
Unrestricted	(5,105,598)	(5,693,632)	1,942,495	1,759,821
Total Net Assets	<u>\$ (3,879,875)</u>	<u>\$ (4,666,699)</u>	<u>\$ 1,951,495</u>	<u>\$ 1,771,821</u>

Net assets of the County's governmental activities stood at \$(3,879,875). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$(5,105,598).

Net assets in our business-type activities stood at \$1,951,495. Unrestricted net assets for our business-type activities were \$1,942,495.

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Revenues:				
Program Revenues:				
Charges for services	\$ 1,424,603	\$ 1,464,324	\$ 343,538	\$ 289,478
Operating grants	952,125	957,161	-	-
Capital grants	106,767	781,308	-	-
General Revenues:				
Property taxes	4,980,983	5,450,641	-	-
Unrestricted investment earnings	77,972	88,354	27,393	34,388
Other	44,000	-	-	-
Total Revenues	<u>7,586,450</u>	<u>8,741,788</u>	<u>370,931</u>	<u>323,866</u>
Program Expenses:				
Legislative	91,085	79,020	-	-
Judicial system	771,295	700,848	-	-
General government	2,257,941	2,207,847	-	-
Public safety	1,662,878	1,659,432	-	-
Health and welfare	609,015	637,311	-	-
Recreation and culture	511,674	563,704	-	-
Highway and transportation	163,686	152,899	-	-
Community development	16,767	205,735	-	-
Other	151,290	321,857	-	-
Interest on long-term debt	650,625	631,545	-	-
Delinquent tax revolving	-	-	46,421	46,262
Building inspection	-	-	100,011	92,855
Total Expenses	<u>6,886,256</u>	<u>7,160,198</u>	<u>146,432</u>	<u>139,117</u>
Excess (deficiency) before transfers and contributions	700,194	1,581,590	224,499	184,749
Transfers	<u>86,630</u>	<u>(17,089)</u>	<u>(44,825)</u>	<u>(42,337)</u>
Increase (decrease) in net assets	786,824	1,564,501	179,674	142,412
Net assets - beginning	<u>(4,666,699)</u>	<u>(6,231,200)</u>	<u>1,771,821</u>	<u>1,629,409</u>
Net assets - ending	<u>\$ (3,879,875)</u>	<u>\$ (4,666,699)</u>	<u>\$ 1,951,495</u>	<u>\$ 1,771,821</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Governmental Activities

Revenues for the County's governmental activities totaled \$7,586,450, while expenses were \$6,886,256. The excess of revenue over expenses was \$700,194 before transfers.

Table three below reflects the cost of each of the County's five largest activities; General government, public safety, judicial system, cultural and recreation, and health and welfare, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General government	\$ 2,257,941	\$ 2,207,847	\$ 1,682,189	\$ 1,649,890
Public safety	1,662,878	1,659,432	983,335	952,116
Judicial system	771,295	700,848	163,884	87,449
Health and welfare	609,015	637,311	514,040	571,145
Cultural and recreation	511,674	563,704	135,104	(321,113)
Totals	<u>\$ 5,812,803</u>	<u>\$ 5,769,142</u>	<u>\$ 3,478,552</u>	<u>\$ 2,939,487</u>

### Business-Type Activities

The County's business-type activities net assets totaled \$1,951,495, with an increase in the current year of \$179,674.

## THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of \$4,380,823, which was all unreserved. The General Fund fund balance amounted to \$1,059,218. The General Fund had an increase in fund balance of \$154,158, representing an increase of 17.0% over the prior year fund balance. The previous year (2006) had an increase in fund balance of \$206,385, representing an increase of 29.5% over the prior year (2005) fund balance. The reason for the increase is the realized income of \$184,375 in unbudgeted and undistributed tax revenue. This is an increase from the realized income of \$87,612 in 2006 in unbudgeted and undistributed tax

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

revenue. Continued structural saving from replacing full time County employees with contract employees and the resulting reductions in the growth of insurance and retirement costs. These cost savings are partially offset by the repeated increases in the net cost of Judicial System services as depicted in the preceding Table 3 in the 2006, and 2007, certified annual financial reports (2005 was -\$5,138, 2006 +\$87,449, and 2007 +\$163,884).

The Maintenance of Effort – Medicare Fund had a fund balance of \$473,248, in which \$288,645 is designated for a final settlement payment to be made in the year 2009 to the State of Michigan Department of Social Services for the County Medical Care Facility Maintenance of Effort.

The Revenue Sharing Reserve Fund had a fund balance of \$1,407,451, which is all unreserved and will be drawn down over the next 6.63 years providing a stable source of tax revenue to replace the eliminated State Revenue Sharing.

The EDC/Revolving Loan Fund had an unreserved fund balance of \$42,021.

The Refund Bond Debt Service Fund and 2002 Medical Care Facility Bond Debt Retirement Fund had unreserved fund balance of \$68,859 and \$83,299, respectively.

### **General Fund Budgetary Highlights**

Over the course of the year, the budget was amended several times to recognize unbudgeted revenue and authorize required expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$164,993 representing an increase of 4.1%. In contrast, the 2006 net change was \$143,797 representing an increase of 3.6%. Budget changes as a result of grants realized include; Civil Defense Grant reduction of \$7,361, Marine Patrol Grant reduction of \$3,019, Snowmobile Enforcement Grant reduction of \$9,791, ORV Enforcement Grant reduction of \$10,729, District Court Cost & Services reduction of \$20,491, Probate Court – Child Care reduction of \$2,143, and Probation Oversight – District Court reduction of \$4,158. An additional \$17,972 was realized from improved Investment Earnings, an additional \$21,596 was realized through contracts for Jail Reimbursements with Gogebic County, \$38,404 was realized through contracts for Jail Reimbursements with the U.S. Marshals for the use of excess jail capacity, and \$20,675 was realized through Reimbursements and Refunds.

Actual revenue of \$4,394,032 was comparable with final amended budgeted revenue of \$4,234,806, resulting in a variance of \$159,226 or 3.6%. The final amended budgeted expenditures decreased by \$121,733 over the original budget, representing a decrease of 2.9%. In contrast, the 2006 final amended budget expenditures decreased by \$77,587 over the original budget representing a decrease of 1.9%. Significant structural changes continue to produce sustainable cost efficiencies through the replacing of full time County employees with part-time contract employees (Economic Developer, Probation Officer, and Assistant Prosecutor). In conjunction with these savings in the cost of fringe benefits for these former employee positions, the following fringe benefit cost changes have been realized for 2007: 11.48% increase in Health and Hospitalization insurance (includes new Employee Assistance Program benefit), 16.39% decrease in Workers Compensation Insurance, and 3.45%

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

increase in Retirement Costs with the change to a Defined Contribution Plan. The county does, and has, not offered post retirement health benefits. Additionally there has been a 30.91% decrease in property and liability insurance expense. Actual expenditures and other financial sources amounted to \$4,602,538 compared with final amended budgeted expenditures of \$4,621,259, resulting in a positive variance of \$18,721 or 0.4%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2007, the County had \$5,628,080 net of accumulated depreciation, invested in a variety of capital assets including land, buildings, vehicles, equipment and infrastructure. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land	\$ 166,118	\$ 166,118	\$ -	\$ -
Buildings	5,093,566	5,145,867	-	-
Vehicles	41,521	67,763	9,000	12,000
Equipment	270,034	195,214	-	-
Infrastructure	47,841	33,640	-	-
Totals	<u>\$ 5,619,080</u>	<u>\$ 5,608,602</u>	<u>\$ 9,000</u>	<u>\$ 12,000</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### DEBT

At year-end the County had \$13,572,875 in bonds and loans outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
General Obligation Unlimited Bonds:				
Medical Care Facility - 2002	7,755,000	8,125,000	-	-
County Courthouse Complex - 2003	2,637,230	2,692,230	-	-
Refunding Bonds - 2005	2,520,000	2,820,000	-	-
General Obligation Limited Bonds:				
County Courthouse Complex - 2003	372,000	380,000	-	-
Maintenance of Effort Obligation	288,645	306,686	-	-
Totals	<u>\$ 13,572,875</u>	<u>\$ 14,323,916</u>	<u>\$ -</u>	<u>\$ -</u>

There were no additions to long-term debt during the fiscal year. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$13,572,875 is well below statutory limits. There is no outstanding debt for business-type activities at year-end.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County Board of Commissioners and county management have considered many factors when it set and amends the 2008 fiscal year budget, and tax rates and fees that will be charged for services. The County of Iron recognized the inability of the State of Michigan to address their structural problems which has resulted in the State General Fund cash balance of only \$11.6 million as of September 30, 2007 while having vendor payables of \$1.6 billion due at the same time. 69% of the State General Fund's equity is a \$681 million due to the School Aid Fund. As of September 30, 2005, the State of Michigan's unfunded pension obligations for all pension systems under state control is \$13 billion (\$10 billion of which is related to schools). During 2007, the County of Iron transferred \$98,500 from the 2006 increase in General Fund's fund balance to the Budget Stabilization Fund which can only be used for program continuation if authorized by a 2/3 vote of the members serving on the County Board. During 2007, the County of Iron transferred (invested) \$106,000 from the General Fund's fund balance to the Pentoga Park Construction Fund, as the local match to a \$90,000 State of Michigan DNR grant, for a campground expansion. This investment will be conservatively repaid over five years at 5% interest from increased fees charged to the campers. As a direct result of the State's cash flow problems, the final state grant payment remains

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

unpaid after eight months. During 2007, Pentoga Park completed the construction of the campground expansion and started its first year's debt service reimbursement. Prior to the start of the 2008 camping season, the County Board followed the park manager's recommendation to raise the camping rates.

Throughout the 2008 budget process and upon receipt of preliminary audit confirmation of the cash flow problems passed onto the local government by the State of Michigan, management meetings with the outside auditor have addressed and informed the governing board of available options to mitigate effects as the Revenue Sharing Reserve Fund becomes drawn down. Currently a hiring freeze (unless otherwise approved) is being enacted. Faced with a national increase in property foreclosures, the County has chosen to increase the balance available in the delinquent tax revolving funds to fully permit timely advance distribution to the County's Cities and Townships, despite the current 21.73% (\$240,280.23) increase in this year's delinquent taxes. In conjunction with this distribution, we are providing notice to these local units that future cash flow requirements of the County may impact this timely distribution in the future. The County is following the auditor's recommendation to disclose, and thus control, the true cost of central dispatch operations by the formation of a Central Dispatch Authority.

The County has entered into a cost sharing agreement with Michigan State University Extension to fund an Economic Developer to increase the employment and tax base of the County. As a direct result, almost \$10 million dollars in private investments are currently taking place to construct, and make operational by September of 2008, an advanced technology sawmill in Amasa Township. Approximately 45 high paying computer skilled employees will be provided and is a result of a County, and its Economic Development Corporation, \$8 million dollar private activity bond issue which was closed in March of 2008. A paved all season county road, railway spur, and water main extension are also being part of the community investment. The township is providing an industrial facility tax exemption for the business commitment of these core jobs and tax base development which are essential to the County's resource dependant economy. These factors were taken into account when establishing and amending the 2008 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, tax payers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Iron County Courthouse, 2 South Sixth Street, Suite 7, Crystal Falls, Michigan 49920-1413.



**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**December 31, 2007**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 3,924,285	\$ 1,437,507	\$ 5,361,792
Receivables:			
Accounts	64,264	-	64,264
State of Michigan	236,336	-	236,336
Current/delinquent property taxes	2,635,499	449,542	3,085,041
Notes	351,408	-	351,408
Prepays	68,760	-	68,760
Internal balances	6,002	-	6,002
Inventory	3,574	-	3,574
Total current assets	<u>7,290,128</u>	<u>1,887,049</u>	<u>9,177,177</u>
Noncurrent assets:			
Investments/assets limited to use	-	-	-
Delinquent taxes	-	-	-
Accrued interest on taxes	-	57,263	57,263
Capital assets, net of accumulated depreciation	5,619,080	9,000	5,628,080
Other assets	-	-	-
Total noncurrent assets	<u>5,619,080</u>	<u>66,263</u>	<u>5,685,343</u>
Total assets	<u>\$ 12,909,208</u>	<u>\$ 1,953,312</u>	<u>\$ 14,862,520</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 187,419	\$ 1,215	\$ 188,634
Accrued payroll	100,638	602	101,240
Accrued interest	95,491	-	95,491
Deferred revenue	2,621,248	-	2,621,248
Other liabilities	-	-	-
Long-term liabilities due within one year:			
Compensated absences	52,853	-	52,853
Bonds/loans payable	758,000	-	758,000
Total current liabilities	<u>3,815,649</u>	<u>1,817</u>	<u>3,817,466</u>
Long-term liabilities:			
Compensated absences	158,559	-	158,559
Bonds/loans payable	12,814,875	-	12,814,875
Total long-term liabilities	<u>12,973,434</u>	<u>-</u>	<u>12,973,434</u>
Total liabilities	<u>16,789,083</u>	<u>1,817</u>	<u>16,790,900</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	739,850	9,000	748,850
Restricted for expendable:			
Special revenue	88,995	-	88,995
Debt service	396,878	-	396,878
Capital projects	-	-	-
Unrestricted	<u>(5,105,598)</u>	<u>1,942,495</u>	<u>(3,163,103)</u>
Total net assets	<u>(3,879,875)</u>	<u>1,951,495</u>	<u>(1,928,380)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,909,208</u>	<u>\$ 1,953,312</u>	<u>\$ 14,862,520</u>

See accompanying notes to the financial statements

Component Units		
Road Commission	District Health	Medical Care Facility
\$ 636,278	\$ 398,785	\$ 746,213
29	169,386	1,059,292
457,090	367,780	-
-	-	-
-	-	-
-	-	-
449,890	-	137,422
<u>1,543,287</u>	<u>935,951</u>	<u>1,942,927</u>
-	-	82,173
-	-	-
-	-	-
12,978,660	44,826	16,198,278
19,167	-	184,219
<u>12,997,827</u>	<u>44,826</u>	<u>16,464,670</u>
<u>\$ 14,541,114</u>	<u>\$ 980,777</u>	<u>\$ 18,407,597</u>
\$ 144,406	\$ 42,187	\$ 299,338
32,039	84,096	427,877
30,629	-	21,076
213,426	-	-
153,949	18,367	149,597
61,229	43,326	875,486
138,030	-	160,869
<u>773,708</u>	<u>187,976</u>	<u>1,934,243</u>
183,683	129,977	-
2,049,510	-	3,282,973
<u>2,233,193</u>	<u>129,977</u>	<u>3,282,973</u>
<u>3,006,901</u>	<u>317,953</u>	<u>5,217,216</u>
10,791,120	44,826	12,754,436
-	-	-
-	-	51,410
-	-	-
<u>743,093</u>	<u>617,998</u>	<u>384,535</u>
<u>11,534,213</u>	<u>662,824</u>	<u>13,190,381</u>
<u>\$ 14,541,114</u>	<u>\$ 980,777</u>	<u>\$ 18,407,597</u>

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2007**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Component Units
<b>Primary government:</b>						
Governmental activities:						
Legislative	\$ 91,085	\$ -	\$ -	\$ (91,085)	\$ -	\$ -
Judicial system	771,295	177,869	429,542	(163,884)	-	-
General government	2,257,941	314,225	261,527	(1,682,189)	-	-
Public safety	1,662,878	492,319	187,224	(983,335)	-	-
Health & welfare	609,015	26,765	68,210	(514,040)	-	-
Cultural and recreation	511,674	282,635	3,935	(135,104)	-	-
Highway & transportation	163,686	6,844	1,069	(155,773)	-	-
Community development	16,767	86,579	557	87,136	-	-
Other	151,290	37,367	61	(113,862)	-	-
Interest on long-term debt	650,625	-	-	(650,625)	-	-
Total governmental activities	6,886,256	1,424,603	952,125	(4,402,761)	-	-
Business-type activities:						
Delinquent tax revolving/tax collections	46,421	195,714	-	-	149,293	-
Building inspection	100,911	147,824	-	-	47,813	-
Total business-type activities	146,432	343,538	-	-	197,106	-
Total primary government	\$ 7,032,688	\$ 1,768,141	\$ 952,125	\$ (4,402,761)	\$ 197,106	\$ -
<b>Component units:</b>						
Road Commission	3,061,338	856,328	5,371,454	-	-	3,166,444
Medical Care Facility	14,769,254	14,957,994	3,434	-	-	192,174
District Health Department	2,230,107	2,366,795	-	-	-	136,688
Total component units	\$ 20,060,699	\$ 18,181,117	\$ 5,374,888	\$ -	\$ -	3,495,306
<b>General revenues:</b>						
Property taxes, levied for general purpose				3,757,130	-	-
Property taxes, levied for debt service				1,223,853	-	-
Unrestricted investment earnings				77,972	27,393	34,991
Contribution for purchase of capital asset				44,000	-	-
Special items:						
Gain on disposal of equipment				-	-	15,000
Transfers				86,630	(44,825)	(41,805)
Total general revenues, special items, and transfers				5,189,585	(17,432)	8,186
Change in net assets				786,824	179,674	3,503,492
Net assets, beginning				(4,666,699)	1,771,821	21,883,926
Net assets, ending				\$ (3,879,875)	\$ 1,951,495	\$ 23,387,418

See accompanying notes to the financial statements

**COUNTY OF IRON, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2007**

	<u>General Fund</u>	<u>Maintenance of Effort - Medicare</u>	<u>Revenue Sharing Reserve</u>	<u>EDC/Revolving Loan</u>
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 517,049	\$ 517,967	\$ 1,501,300	\$ 47,124
Receivables:				
State of Michigan	159,865	10,685	-	-
Current property taxes	383,833	572,912	-	-
Accounts	24,689	-	-	-
Notes	-	-	-	351,408
Due from other funds	151,839	6,221	27,163	18,236
Inventory	-	-	-	-
Prepaid expense	68,760	-	-	-
	<u>\$ 1,306,035</u>	<u>\$ 1,107,785</u>	<u>\$ 1,528,463</u>	<u>\$ 416,768</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 102,930	\$ 56,633	\$ -	\$ 52
Due to other funds	57,290	4,993	121,012	4,918
Accrued payroll and related liabilities	86,597	-	-	134
Deferred revenue	-	572,911	-	369,643
	<u>246,817</u>	<u>634,537</u>	<u>121,012</u>	<u>374,747</u>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid items	68,760	-	-	-
Unreserved:				
Designated	-	288,645	-	-
Undesignated	990,458	184,603	1,407,451	42,021
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
	<u>1,059,218</u>	<u>473,248</u>	<u>1,407,451</u>	<u>42,021</u>
Total liabilities and fund balances	<u>\$ 1,306,035</u>	<u>\$ 1,107,785</u>	<u>\$ 1,528,463</u>	<u>\$ 416,768</u>

See accompanying notes to the financial statements

<u>Refund Bond Debt Service</u>	<u>2002 MCF Bond Debt Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 67,859	\$ 81,701	\$ 1,191,285	\$ 3,924,285
-	-	65,786	236,336
405,569	727,949	545,236	2,635,499
-	-	39,575	64,264
-	-	-	351,408
4,336	7,783	10,930	226,508
-	-	3,574	3,574
-	-	-	68,760
<u>\$ 477,764</u>	<u>\$ 817,433</u>	<u>\$ 1,856,386</u>	<u>\$ 7,510,634</u>
\$ -	\$ -	\$ 27,804	\$ 187,419
3,336	6,185	22,772	220,506
-	-	13,907	100,638
405,569	727,949	545,176	2,621,248
<u>408,905</u>	<u>734,134</u>	<u>609,659</u>	<u>3,129,811</u>
-	-	-	68,760
-	-	-	288,645
68,859	83,299	-	2,776,691
-	-	953,199	953,199
-	-	293,528	293,528
-	-	-	-
<u>68,859</u>	<u>83,299</u>	<u>1,246,727</u>	<u>4,380,823</u>
<u>\$ 477,764</u>	<u>\$ 817,433</u>	<u>\$ 1,856,386</u>	<u>\$ 7,510,634</u>

**COUNTY OF IRON, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**December 31, 2007**

Total fund balances for governmental funds	\$ 4,380,823
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	166,118	
Buildings	7,537,694	
Vehicles	106,472	
Equipment	343,841	
Infrastructure	69,983	
Accumulated depreciation	<u>(2,605,028)</u>	
Total capital assets		5,619,080

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(95,491)	
Bonds/loans payable	(13,572,875)	
Compensated absences	<u>(211,412)</u>	<u>(13,879,778)</u>

Total net assets of governmental activities	<u>\$ (3,879,875)</u>
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See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2007**

	General Fund	Maintenance of Effort - Medicare	Revenue Sharing Reserve	EDC/Revolving Loan
<b>REVENUES:</b>				
Taxes	\$ 2,910,601	\$ 560,219	\$ -	\$ -
Licenses and permits	5,228	-	-	-
Federal sources	180,724	-	-	-
State sources	575,298	-	-	-
Charges for services	557,883	-	-	-
Interest and rentals	77,972	23,578	32,109	557
Other	86,326	24,432	-	86,579
Total revenues	4,394,032	608,229	32,109	87,136
<b>EXPENDITURES:</b>				
Legislative	91,085	-	-	-
Judicial system	719,007	-	-	-
General government	2,104,237	-	-	-
Public safety	1,120,597	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	56,101	-	-	-
Health and welfare	19,253	468,674	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	65,105	-	1,381	81,169
Total expenditures	4,175,385	468,674	1,381	81,169
Excess revenues (expenditures)	218,647	139,555	30,728	5,967
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	362,664	-	-	-
Transfer out	(427,153)	(75,000)	(239,851)	-
Total other financing sources (uses)	(64,489)	(75,000)	(239,851)	-
Net change in fund balance	154,158	64,555	(209,123)	5,967
Fund balances - beginning of year	905,060	408,693	1,616,574	36,054
Fund balances - end of year	\$ 1,059,218	\$ 473,248	\$ 1,407,451	\$ 42,021

See accompanying notes to financial statements

Refund Bond Debt Service	2002 MCF Bond Debt Retirement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 355,155	\$ 670,693	\$ 484,315	\$ 4,980,983
-	-	-	5,228
-	-	17,773	198,497
-	-	165,269	740,567
-	-	586,780	1,144,663
4,660	10,297	24,195	173,368
87	-	101,721	299,145
<u>359,902</u>	<u>680,990</u>	<u>1,380,053</u>	<u>7,542,451</u>
-	-	-	91,085
-	-	21,248	740,255
-	-	-	2,104,237
-	-	398,681	1,519,278
-	-	163,686	163,686
-	-	632,051	688,152
-	-	139,130	627,057
-	-	16,767	16,767
-	-	67,906	67,906
300,000	370,000	63,000	733,000
96,050	332,641	225,870	654,561
3,577	6,453	35,090	192,775
<u>399,627</u>	<u>709,094</u>	<u>1,763,429</u>	<u>7,598,759</u>
<u>(39,725)</u>	<u>(28,104)</u>	<u>(383,376)</u>	<u>(56,308)</u>
-	-	579,744	942,408
-	-	(113,774)	(855,778)
-	-	465,970	86,630
(39,725)	(28,104)	82,594	30,322
<u>108,584</u>	<u>111,403</u>	<u>1,164,133</u>	<u>4,350,501</u>
<u>\$ 68,859</u>	<u>\$ 83,299</u>	<u>\$ 1,246,727</u>	<u>\$ 4,380,823</u>



**IRON COUNTY, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2007**

Net changes in fund balances - total governmental funds \$ 30,322

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$326,890) were in excess of depreciation expense (\$316,412). 10,478

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 733,000

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Maintenance of Effort	18,041		
Compensated absences	(8,953)		
Accrued interest on bonds	3,936		
	13,024		
Changes in net assets of governmental activities		\$ 786,824	

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2007**

	Tax Revolving 2007	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 770,113	\$ 667,394	\$ 1,437,507
Total current assets	770,113	667,394	1,437,507
Noncurrent assets:			
Receivables:			
Delinquent taxes	404,152	45,390	449,542
Accrued interest on taxes	40,415	16,848	57,263
Capital assets, net of accumulated depreciation	-	9,000	9,000
Total noncurrent assets	444,567	71,238	515,805
Total assets	\$ 1,214,680	\$ 738,632	\$ 1,953,312
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 1,215	\$ 1,215
Accrued payroll	-	602	602
Total liabilities	-	1,817	1,817
<b>NET ASSETS</b>			
Unrestricted	1,214,680	736,815	1,951,495
Total net assets	1,214,680	736,815	1,951,495
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,214,680</b>	<b>\$ 738,632</b>	<b>\$ 1,953,312</b>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2007**

	Tax Revolving 2007	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
License and permits	\$ -	\$ 145,033	\$ 145,033
Charges for services	31,661	65,183	96,844
Penalties and interest on taxes	74,563	23,726	98,289
Other	-	3,372	3,372
	<u>106,224</u>	<u>237,314</u>	<u>343,538</u>
Total operating revenue			
<b>OPERATING EXPENSES:</b>			
Salaries and fringes	-	26,165	26,165
Administrative fees	-	43,173	43,173
Depreciation expense	-	3,000	3,000
Other	-	74,094	74,094
	<u>-</u>	<u>146,432</u>	<u>146,432</u>
Total operating expenses			
Operating income (loss)	<u>106,224</u>	<u>90,882</u>	<u>197,106</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest on investments	<u>2,460</u>	<u>24,933</u>	<u>27,393</u>
Income (loss) before transfers and contributions	108,684	115,815	224,499
Transfer in	1,105,996	4,240	1,110,236
Transfer out	<u>-</u>	<u>(1,155,061)</u>	<u>(1,155,061)</u>
Change in net assets	1,214,680	(1,035,006)	179,674
Total net assets - beginning	<u>-</u>	<u>1,771,821</u>	<u>1,771,821</u>
Total net assets - ending	<u>\$ 1,214,680</u>	<u>\$ 736,815</u>	<u>\$ 1,951,495</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2007**

	Tax Revolving 2007	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ -	\$ 145,033	\$ 145,033
Cash received for collection of taxes	767,653	549,310	1,316,963
Other receipts	-	3,371	3,371
Payments for wages and related benefits	-	(25,836)	(25,836)
Cash payments for taxes	(1,105,996)	-	(1,105,996)
Other payments	-	(124,830)	(124,830)
Net cash provided (used) by operating activities	(338,343)	\$ 547,048	\$ 208,705
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfer in	1,105,996	4,240	1,110,236
Operating transfer out	-	(1,155,061)	(1,155,061)
Net cash provided (used) by noncapital financing activities	1,105,996	(1,150,821)	(44,825)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	2,460	24,933	27,393
Net increase (decrease) in cash and equivalents	770,113	(578,840)	191,273
Cash and equivalents, beginning of year	-	1,246,234	1,246,234
Cash and equivalents, end of year	<u>\$ 770,113</u>	<u>\$ 667,394</u>	<u>\$ 1,437,507</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 106,224	\$ 90,882	\$ 197,106
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	3,000	3,000
Changes in assets and liabilities:			
(Increase) decrease in receivables	(444,567)	460,400	15,833
Increase (decrease) in accounts payable	-	(7,563)	(7,563)
Increase (decrease) in other liabilities	-	329	329
Total adjustments	(444,567)	456,166	11,599
Net cash provided by operating activities	<u>\$ (338,343)</u>	<u>\$ 547,048</u>	<u>\$ 208,705</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2007**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 665,616
Receivables:	
Accounts	784
Due from other governmental units	10,062
Due from other funds	<u>47,723</u>
Total assets	<u><u>\$ 724,185</u></u>
<b>LIABILITIES</b>	
Due to other funds	\$ 53,725
Undistributed taxes	439,252
Other liabilities	<u>231,208</u>
Total liabilities	<u><u>\$ 724,185</u></u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Background – The County of Iron was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Iron County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has one component unit for which the financial data has been blended with the primary government financial statements.

Economic Development Corporation – The Economic Development Corporation was incorporated as a non-profit corporation under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Iron County. The Economic Development Corporation Board of Directors is appointed by the Iron County Board of Commissioners. Complete financial statements of the Economic Development Corporation can be obtained directly from their administrative office when available.

Economic Development Corporation  
2 South Sixth, Suite 8  
Crystal Falls, Michigan 49920

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Iron County Road Commission, Dickinson-Iron District Health Department, and the Iron County Medical Care Facility. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Iron County Road Commission – A five-member board governs The Road Commission, which are elected. The Road Commission may not issue debt or levy property taxes without the County's approval. The Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978 in the preparation and execution of its' annual general appropriations act. Complete financial statements at the Road Commission can be obtained directly from their administration office.

Iron County Road Commission  
800 Franklin Street  
Iron River, Michigan 49935

Dickinson-Iron District Health Department – The members of the governing board of the Dickinson-Iron District Health are jointly appointed by the Iron County Board of Commissioners and the Dickinson County Board of Commissioners. The Health Department's operations and capital budgets are approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office.

Dickinson-Iron District Health  
601 Washington, P.O. Box 516  
Stambaugh, Michigan 49964

Iron County Medical Care Facility – The Facility is a 200-bed, long-term medical care unit owned and operated by Iron County. The facility also operates a 25-bed assisted living unit. It is governed by the Iron County Department of Human Services Board. This Board consists of three members, two of whom are appointed by the Iron County Board of Commissioners, and one appointed by the Michigan Governor. Further, the Iron County Board of Commissioners approves the budget for the Facility. Complete financial statements of the Facility can be obtained directly from their administrative office.

Iron County Medical Care Facility  
1523 W. US 2  
Crystal Falls, Michigan 49920

Joint Ventures – Iron County participates with Menominee and Dickinson Counties in operating Northpointe, a Mental Health Center. The Board was created to provide mental health services to the citizens of the three counties. Northpointe's Board of Directors was appointed by the respective county

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

board of commissioners, and consist of five members from Menominee and Dickinson County and two members from Iron County. Northpointe was formed to provide a full range of mental health services for residents located within the three counties as required and permitted by the Michigan Mental Health Code. Complete financial statements for the Northpointe Behavioral Healthcare Systems can be obtained directly from their administrative office.

Northpointe Behavioral Healthcare Systems  
715 Pyle Drive  
Kingsford, Michigan 49801

Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Iron:

Iron County Housing Corporation – The Housing Commission provides housing for the poor and the elderly with the use of federal (HUD) grants.

Iron County Chamber of Commerce – The Chamber of Commerce provides informational and economical development for tourism and business.

Iron County Community Hospitals, Inc. – The Community Hospitals, Inc. is a not-for-profit health system, which provides acute care and long-term care to the residents of Iron County, Michigan.

Accounting Policies - The accounting policies of the County of Iron conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting – The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.



## COUNTY OF IRON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. The County levies all of its operating millage on July 1<sup>st</sup>, these amounts are recognized as revenue when collected as well as the amount the County expects to receive as part of the tax settlement which is usually within 180 days of the end of the County's fiscal year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Maintenance of Effort – Medicare Fund – The Maintenance of Effort - Medicare Fund was established to account for the maintenance of effort activities of the Medical Care Facility.

Revenue Sharing Reserve Fund – Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves the gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

EDC/Revolving Loan Fund – The EDC/Revolving Loan Fund was established to alleviate and prevent conditions of unemployment, to assist and retain local industries and commercial enterprises, to strengthen and revitalize the economy of the County of Iron.

Refund Bond Debt Service Fund – The Refund Bond Debt Service Fund was established to account for the accumulation of resources for, and the payment of the 2005 Refunding Bonds.

2002 Medical Care Facility Bond Debt Retirement Fund – The 2002 Medical Care Facility Bond Debt Retirement Fund was established to account for the accumulation of resources for, and the payment of the bond debt relating to the construction of a 75-bed addition to the Medical Care Facility.

The County reports the following as major proprietary funds:

Tax Revolving 2007 – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tax Revolving 2007 enterprise fund are charges to customers for interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of services and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following January 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
- e. The County of Iron adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)  
General appropriations and functional groups  
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2007. All budget amendments are presented to the Finance Committee. In December, the Board of Commissioners approved all amendments to the annual budget.

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments -- Investments are carried at market with all dividends being reinvested.

Receivables -- All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is priced at cost as determined on the first-in, first-out method for the Youth Camp special revenue fund.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The 2007 taxable valuation of Iron County amounted to \$407,246,655 on which ad valorem taxes of 6.2468 mills were levied for County operations, .4979 mills for Youth Camp, 1.4348 mills for Maintenance of Effort – Medicare, .2581 mills for Senior Citizens Fund, .2441 for Health Department, 1.00 mills for Refunded Bond Retirement, .60 mills for Courthouse Bond Retirement and 1.795 mills for the 2002 Medical Care Facility Bond Retirement.

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The 2007 tax levy raised \$2,553,077 for County operating purposes, \$180,853 for the Youth Camp, \$546,109 for Maintenance of Effort – Medicare, \$98,197 for Senior Citizens Fund, \$93,892 for the Health Department, \$345,942 for Refunded Bond Retirement, \$192,830 for Courthouse Bond Retirement and \$653,661 for the 2002 Medical Care Facility Bond Retirement.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$2,191,629 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$239,851 was transferred for the 2007 fiscal year. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2013 fiscal year.

Capital Assets – Capital assets which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives, except for road equipment, which the sum-of-the-year's-digits are computed:

	<u>Years</u>
Buildings	20 - 50
Equipment	3 - 20
Vehicles	3 - 5
Infrastructure - Roads	8 - 30
Infrastructure - Bridges	12 - 50

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B – DEFICIT FUND BALANCE**

As of December 31, 2007, the Drug Court Grant Program Fund had a deficit fund balance in the amount of \$8,432.18. A deficit fund balance is a violation of Public Act 275.

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE C – CASH & EQUIVALENTS AND INVESTMENTS**

The composition of cash and equivalents, and investments as reported in the Statement of Net Assets is presented below:

	<u>Primary Government</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 520,262	\$ 551,846
Uninsured	5,507,146	5,695,721
Total cash	<u>\$ 6,027,408</u>	<u>\$ 6,247,567</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 5,361,792	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	665,616	
Total cash and equivalents	<u>\$ 6,027,408</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 636,278	
District Health Department	398,785	
Medical Care Facility	746,213	
Total cash and equivalents	<u>\$ 1,781,276</u>	
Assets limited as to use:		
Medical Care Facility	<u>\$ 82,173</u>	

Michigan statutes authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, saving accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE C – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

*Interest Rate Risk.* The County carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

*Credit Risk.* State laws limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of December 31, 2007, the County did not hold any commercial paper.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the County's deposits may not be returned. At December 31, 2007, the County held \$6,247,567 in certificates of deposit, and checking and savings accounts. Of this amount, \$5,695,721 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

*Concentration of Credit Risk.* The County has no significant concentration of credit risk due to the fact that its deposits are with area banks.

*Foreign Currency Risk.* The County has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the County are in accordance with statutory authority.

**Assets Limited as to Use:**

Iron County Medical Care Facility – Assets limited as to use include assets held by trustees under indenture agreements and designated assets set aside by the board for future capital improvement, over which the board retains control, and may, at its discretion, subsequently use for other purposes.



**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE D – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at December 31, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Revenue Sharing Reserve	\$ 27,163		
Flexible Spending Trust	6,563		
General Trust & Agency	22,110		
Register of Deeds Automation	1,454		
Subtotal	<u>\$ 57,290</u>	General Fund	<u>\$ 57,290</u>
		General Trust & Agency	29,506
		EDC/Revolving Loan Fund	1,321
		Revenue Sharing Reserve	121,012
General Fund	<u>\$ 151,839</u>	Subtotal	<u>\$ 151,839</u>
Maintenance of Effort	6,221		
Youth Camp	2,159		
Senior Citizens	1,119		
Refund Bond Debt	4,336		
MCF Bond Debt	7,783		
Courthouse Debt	2,601		
Subtotal	<u>\$ 24,219</u>	General Trust & Agency	<u>\$ 24,219</u>
General Trust & Agency	1,675		
EDC/Revolving Loan Fund	18,236		
Subtotal	<u>\$ 19,911</u>	Youth Camp	<u>\$ 19,911</u>
		Maintenance of Effort	4,993
		Senior Citizens Tax Fund	902
		Refund Bond Debt	3,336
		MCF Bond Debt	6,185
		Courthouse Debt	1,959
General Trust & Agency	<u>\$ 17,375</u>	Subtotal	<u>\$ 17,375</u>
MEDC	<u>\$ 3,597</u>	EDC/Revolving Loan Fund	<u>\$ 3,597</u>
Total	<u><u>\$ 274,231</u></u>	Total	<u><u>\$ 274,231</u></u>
Governmental Funds	226,508	Governmental Funds	220,506
Fiduciary Funds	<u>47,723</u>	Fiduciary Funds	<u>53,725</u>
	<u><u>\$ 274,231</u></u>		<u><u>\$ 274,231</u></u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance at 01/01/07	Additions	Disposals	Balance at 12/31/07
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 166,118	\$ -	\$ -	\$ 166,118
Capital assets being depreciated:				
Buildings	7,335,882	201,812	-	7,537,694
Equipment	238,717	105,124	-	343,841
Vehicles	106,472	-	-	106,472
Infrastructure	50,029	19,954	-	69,983
Total depreciable assets	<u>7,731,100</u>	<u>326,890</u>	<u>-</u>	<u>8,057,990</u>
Total capital assets	<u>7,897,218</u>	<u>326,890</u>	<u>-</u>	<u>8,224,108</u>
Less accumulated depreciation:				
Buildings	2,190,015	254,113	-	2,444,128
Equipment	43,503	30,304	-	73,807
Vehicles	38,709	26,242	-	64,951
Infrastructure	16,389	5,753	-	22,142
Total accumulated depreciation	<u>2,288,616</u>	<u>316,412</u>	<u>-</u>	<u>2,605,028</u>
Net capital assets being depreciated	<u>5,442,484</u>	<u>10,478</u>	<u>-</u>	<u>5,452,962</u>
Governmental activities capital assets, net	<u>\$ 5,608,602</u>	<u>\$ 10,478</u>	<u>\$ -</u>	<u>\$ 5,619,080</u>
Business-type activities:				
Capital assets being depreciated:				
Vehicles	\$ 18,000	\$ -	\$ -	\$ 18,000
Less accumulated depreciation:				
Vehicles	<u>6,000</u>	<u>3,000</u>	<u>-</u>	<u>9,000</u>
Business-type activities capital assets, net	<u>\$ 12,000</u>	<u>\$ (3,000)</u>	<u>\$ -</u>	<u>\$ 9,000</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 31,040
General government	109,686
Public safety	151,616
Cultural and recreation	24,070
Total governmental activities	<u>\$ 316,412</u>
Business-type activities:	
Building inspection	<u>\$ 3,000</u>

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE F - ROAD COMMISSION CAPITAL ASSETS**

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 01/01/07	Additions	Disposals	Balance at 12/31/07
Capital assets not being depreciated:				
Land and improvements	\$ 26,568	\$ -	\$ -	\$ 26,568
Construction in progress	1,680,716	2,146,979	-	3,827,695
Total nondepreciable assets	<u>1,707,284</u>	<u>2,146,979</u>	<u>-</u>	<u>3,854,263</u>
Capital assets being depreciated:				
Buildings and improvements	3,576,743	-	-	3,576,743
Road equipment	3,651,457	3,015	82,428	3,572,044
Shop equipment	86,336	-	-	86,336
Engineers' equipment	22,667	-	-	22,667
Office equipment	73,305	-	-	73,305
Infrastructure - Roads	5,433,025	1,141,649	-	6,574,674
Infrastructure - Bridges	38,926	-	-	38,926
Total depreciable assets	<u>12,882,459</u>	<u>1,144,664</u>	<u>82,428</u>	<u>13,944,695</u>
Total capital assets	<u>14,589,743</u>	<u>3,291,643</u>	<u>82,428</u>	<u>17,798,958</u>
Less accumulated depreciation:				
Buildings and improvements	582,218	111,896	-	694,114
Road equipment	3,156,583	196,624	82,428	3,270,779
Shop equipment	67,454	3,635	-	71,089
Engineers' equipment	18,036	936	-	18,972
Office equipment	63,340	2,856	-	66,196
Infrastructure - Roads	411,412	285,227	-	696,639
Infrastructure - Bridges	1,805	704	-	2,509
Total accumulated depreciation	<u>4,300,848</u>	<u>601,878</u>	<u>82,428</u>	<u>4,820,298</u>
Net capital assets being depreciated	<u>8,581,611</u>	<u>542,786</u>	<u>-</u>	<u>9,124,397</u>
Total net capital assets	<u>\$ 10,288,895</u>	<u>\$ 2,689,765</u>	<u>\$ -</u>	<u>\$ 12,978,660</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE G – DISTRICT HEALTH CAPITAL ASSETS**

A summary of capital assets as of December 31, 2007 for the Dickinson-Iron District Health Department:

Capital assets:	
Equipment	\$ 82,352
Less: Accumulated depreciation	<u>37,526</u>
Capital assets, net	<u>\$ 44,826</u>

**NOTE H – MEDICAL CARE FACILITY CAPITAL ASSETS**

A summary of capital assets as of December 31, 2007 for the Iron County Medical Care Facility:

	<u>01/01/07</u>	<u>Additions</u>	<u>Transfers</u>	<u>12/31/07</u>	<u>Depreciable Life - Years</u>
Land and land improvements	\$ 495,006	\$ -	\$ -	\$ 495,006	10 - 25
Building	19,218,663	17,593	-	19,236,256	10 - 40
Fixed equipment	1,030,909	-	-	1,030,909	4 - 20
Moveable equipment	2,109,565	34,912	-	2,144,477	4 - 20
Total capital assets	<u>22,854,143</u>	<u>52,505</u>	<u>-</u>	<u>22,906,648</u>	
Less accumulated depreciation:					
Land and land improvements	415,248	14,584	-	429,832	
Building	3,295,709	507,415	-	3,803,124	
Fixed equipment	983,825	11,176	-	995,001	
Moveable equipment	1,371,953	108,460	-	1,480,413	
Total accumulated depreciation	<u>6,066,735</u>	<u>641,635</u>	<u>-</u>	<u>6,708,370</u>	
Net carrying amount	<u>\$16,787,408</u>	<u>\$ (589,130)</u>	<u>\$ -</u>	<u>\$16,198,278</u>	

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE 1 – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

Type of Debt	Balance 1/01/07	Additions	Deductions	Balance 12/31/07	Amounts Due Within One Year
Governmental activities:					
General Obligation Unlimited Tax Bonds:					
Medical Care Facility - 2002	8,125,000	-	370,000	7,755,000	385,000
County Courthouse Complex - 2003	2,692,230	-	55,000	2,637,230	55,000
Refunding Bonds - 2005	2,820,000	-	300,000	2,520,000	310,000
General Obligation Limited Tax Bonds:					
County Courthouse Complex - 2003	380,000	-	8,000	372,000	8,000
Maintenance of Effort	306,686	-	18,041	288,645	-
Compensated absences	202,459	8,953	-	211,412	52,853
Total governmental activities long-term debt	<u>\$ 14,526,375</u>	<u>\$ 8,953</u>	<u>\$ 751,041</u>	<u>\$ 13,784,287</u>	<u>\$ 810,853</u>

Debt service requirements on long-term debt at December 31, 2007 are as follows:

For the Year Ending December 31	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2008	\$ 758,000	\$ 535,627
2009	793,000	509,356
2010	829,000	480,404
2011	884,000	449,115
2012	914,000	414,189
2013-2017	3,724,000	1,574,965
2018-2022	3,697,000	886,621
2023-2027	667,000	303,839
2028-2032	830,615	148,501
2033-2037	187,615	7,974
Total	<u>\$ 13,284,230</u>	<u>\$ 5,310,591</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE I – LONG-TERM DEBT (continued)**

**Governmental Activities:**

Medical Care Facility Bonds - 2002

Medical Care Facility Bonds, 2002 are general obligation unlimited tax bonds that were issued by the County for the purpose of acquiring, constructing and equipping a 71-bed addition to, and renovating and equipping portions of the County's Medical Care Facility. The bonds are payable semi-annually on June 1 and November 29 until maturity, and bear interest at varying rates from 2.0% to 4.6%. Bonds are due serially from June 1, 2003 until June 1, 2022.

The bonds maturing in the years 2003 to 2012, inclusive, shall not be subject to optional redemption prior to maturity. The bonds or portions of bonds in multiples of \$5,000 maturing in the years 2013 to 2022, inclusive, shall be subject to redemption at the option of the County in such order of maturity as the County shall determine and within a single maturity by lot on any interest payment date on or after June 1, 2012 at par plus accrued interest to the date fixed for redemption.

Bonds maturing on June 1, 2022 (the "Term Bonds") are subject to mandatory redemption by the County at par plus accrued interest to the date of redemption on the dates and in the principal amounts set forth in the following table. The Term Bonds to be mandatorily redeemed shall be selected by lot in such a manner as shall be determined by Fifth Third Bank, Michigan, Grand Rapids, Michigan ("the Transfer Agent").

Term Bond Due June 1, 2002

Redemption

<u>June 1</u>	<u>Amount</u>
2020	\$ 630,000
2021	660,000
2022	690,000

2003 County Courthouse Complex Tax Bonds

2003 County Courthouse Complex Bonds consist of general obligation unlimited tax bonds issued in the amount of \$2,837,230 for the purpose of paying part of the cost to acquire, construct and equip renovations and improvements to the County Courthouse Complex. Bond principal and interest requirements will be met by an ad valorem tax levy of .6 mills.

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004 and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter, until August 1, 2033.

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE I – LONG-TERM DEBT (continued)**

**Refunding Bonds, Series 2005**

2005 Refunding Bonds consist of general obligation unlimited tax refunding bonds issued in the amount of \$2,960,000 for the purpose of refunding the County's Medical Care Facility Bonds, Series 1992, maturing in the years 2006 through 2012 and the County's Jail Bonds, Series 1995, maturing in the years 2007 through 2015. Bond principal and interest requirements will be met by an ad valorem tax levy of .675 mills.

These bonds bear interest at varying rates from 3.0% to 4.0%, with interest payable on May 1, 2005 and semi-annually thereafter. Principal payments are required to be made May 1, 2006, and annually thereafter, until May 1, 2015.

**2003 County Courthouse Complex Limited Tax Bonds**

2003 County Courthouse Complex Limited Tax Bonds consist of general obligation limited tax bonds issued in the amount of \$400,000 for the purpose of paying part of the costs to acquire, construct and equip renovations and improvements to the County Courthouse Complex.

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004 and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter until August 1, 2033.

**Maintenance of Effort Obligation**

Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. M.O.E. is being paid by the County out of voter approved millage funds.

**Compensated Absences:**

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$211,412 are reported under the governmental activities in the Statement of Net Assets.

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE J - ROAD COMMISSION LONG-TERM DEBT**

**Bonds Payable:**

On January 1, 2003, the County of Iron issued Michigan Transportation Fund Bonds in the amount of \$2,300,000, for the purpose of acquiring, constructing, and furnishing and equipping a new county road commission central garage complex for use by the Iron County Road Commission. The issue requires semi-annual payments each February 1<sup>st</sup> and August 1<sup>st</sup> for a term of 30 years with a variable interest rate between 3.75% and 5.00%. February 1<sup>st</sup> payments consist of interest only and August 1<sup>st</sup> payments consist of principal and interest. Final payment is due August 1, 2032.

**Leases Payable:**

In 2005, the Iron County Board of Road Commissioners entered into a lease purchase agreement to finance the acquisition of a Caterpillar Track-Type Tractor. The agreement requires annual payments of \$15,666 at 5.35% interest on January 23<sup>rd</sup>, and a final payment due on January 23, 2011.

In 2006, the Iron County Board of Road Commissioners entered into a lease purchase agreement to finance the acquisition of two 2007 International 5600 Dump Trucks. Semi-annual payments to Harco Leasing Company, Inc. are due on February 1<sup>st</sup> and August 1<sup>st</sup> consisting of both principal and interest, at an interest rate of 4.95%, with a total payment amount of \$76,522. Final payment is due February 1, 2008.

**Compensated Absences:**

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The annual vacation benefits earned by each employee are credited at the beginning of the year. An employee who is eligible for vacation leave in excess of twenty (20) days, may, with the consent of the employer, take pay at the employee's regular rate of pay for time in excess of twenty (20) days in-lieu-of vacation leave.

Employees may carry over a maximum of ten (10) days vacation into the next year. An employee leaving the services of the Road Commission will be paid all unused vacation carried over to January 1<sup>st</sup> up to a maximum of ten (10) days, plus any vacation earned, on a prorated basis to the end of the month of separation, in accordance with the vacation policy in effect at this time.

Road Commission employment policies provide that each full-time employee shall earn sick leave with pay at the rate of eight (8) hours for each month of employment in which the employee is compensated for at least eighteen (18) days, with unlimited accumulation. Upon permanent separation from employment, employees shall be paid for all of their accumulated sick leave at the employee's prevailing rate of pay up to a maximum of ninety (90) days. In the event their balance at time of retirement is over ninety (90) days, all accumulated excess of the ninety (90) days will be paid at the rate of fifty percent (50%). The total sick and vacation leave amount of \$244,912 is recorded in the statement of net assets as a liability.



**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE J - ROAD COMMISSION LONG-TERM DEBT (continued)**

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 1/1/2007	Additions	Deductions	Balance 12/31/2007	Amounts Due Within One Year
Bonds payable:					
Road Commission Facility Project	\$ 2,100,000	\$ -	\$ 45,000	\$ 2,055,000	\$ 50,000
Leases payable:					
Caterpillar Track-Type Tractor	66,900	-	9,034	57,866	13,356
(2) International Dump Trucks	218,655	-	143,981	74,674	74,674
Vested Employee Benefits Payable:					
Vacation Benefits	20,761	41	-	20,802	5,201
Sick Leave Benefits	265,008	-	40,898	224,110	56,028
Total long-term debt	<u>\$ 2,671,324</u>	<u>\$ 41</u>	<u>\$ 238,913</u>	<u>\$ 2,432,452</u>	<u>\$ 199,259</u>

Debt service requirements on long-term debt at December 31, 2007 are as follows:

For the Year Ending December 31	County Road Commission			
	Bonds Payable		Leases Payable	
	Principal	Interest	Principal	Interest
2008	\$ 50,000	\$ 93,573	\$ 88,030	\$ 4,158
2009	50,000	91,698	14,070	1,596
2010	50,000	89,823	14,823	843
2011	55,000	87,948	15,617	49
2012	55,000	85,885	-	-
2013-2017	305,000	394,975	-	-
2018-2022	385,000	322,633	-	-
2023-2027	485,000	224,265	-	-
2028-2032	620,000	95,725	-	-
Total	<u>\$ 2,055,000</u>	<u>\$ 1,486,525</u>	<u>\$ 132,540</u>	<u>\$ 6,646</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

**NOTE K – MEDICAL CARE FACILITY LONG-TERM DEBT**

To finance the assisted-living project, the Facility entered into a capital lease arrangement with Iron County. The Facility will make payments to the County equal to the required principal and interest payments on the bonds acquired by the County. The bond yield currently is 5.44%, with a final maturity on November 14, 2022. Principal and interest are due semiannually on May 14th and November 14th.

To finance renovations to a lift station, the Facility entered into an agreement with Iron County. The note has an interest rate of 6.24%, with a final maturity of August 12, 2023. Principal payments are due on August 12<sup>th</sup> and interest payments are due on February 12<sup>th</sup> and August 12<sup>th</sup>.

Long-term debt activity for the year ended December 31, 2007 was as follows:

	<u>1/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2007</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 3,495,525	\$ -	\$ (149,683)	\$ 3,345,842	\$ 156,869
Notes Payable	<u>102,000</u>	<u>-</u>	<u>(4,000)</u>	<u>98,000</u>	<u>4,000</u>
Total	<u>\$ 3,597,525</u>	<u>\$ -</u>	<u>\$ (153,683)</u>	<u>\$ 3,443,842</u>	<u>\$ 160,869</u>

The following is a schedule of bond and loan principal and interest, and future minimum lease payments as of December 31, 2007:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 160,869	\$ 163,582
2009	168,598	155,644
2010	177,521	147,511
2011	185,884	138,887
2012	194,594	129,914
2013-2017	1,123,419	498,035
2018-2022	1,424,957	197,193
2023	<u>8,000</u>	<u>419</u>
Total	<u>\$ 3,443,842</u>	<u>\$ 1,431,185</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE L - OPERATING TRANSFERS IN AND OUT**

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 362,664	\$ 427,153
County Parks	15,375	16,000
Maintenance of Effort - Medicare Fund	-	75,000
Friend of the Court Incentive	-	2,360
Register of Deeds Automation	19,485	-
Revenue Sharing Reserve Fund	-	239,851
Enhanced 911 Fund	20,480	-
Child Care Fund	64,426	-
Budget Stabilization	98,500	53,500
Law Library	21,636	-
Plat Book Fund	-	15,000
Airport Fund	9,059	-
Alcohol Assessment	-	5,690
Veterans Trust Fund	-	416
Veterans Program Fund	58,933	1,437
2003 Courthouse Debt Retirement	24,150	-
2003 Road Commission Building Debt	128,700	-
DNR Pentoga Construction Fund	106,000	15,375
Courthouse Repair Fund	13,000	3,996
Enterprise Funds:		
Construction Code Fund	-	3,076
Tax Revolving 2003	-	135,118
Tax Revolving 2004	-	102,150
Tax Revolving 2005	-	95,687
Tax Revolving 2006	-	817,280
Tax Revolving 2007	1,105,996	-
Tax Revolving Administration	4,240	1,750
Component Units:		
Road Commission	-	128,700
District Health	11,895	-
Medical Care Facility	75,000	-
Total	<u>\$ 2,139,539</u>	<u>\$ 2,139,539</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS**

**General County**

Defined Contribution Plan Description – The County of Iron participates in a defined contribution plan administered by the Municipal Employee's Retirement System (MERS). The retirement plan covers regular full-time and part-time employees hired after April 1, 2004.

For full-time employees, the County agrees to fund 6% of the gross employee earnings per pay period into a Section 401(a) defined contribution individual retirement account. To encourage full-time employees to participate, the County agrees to match individual pre-tax contribution into a section 457 Deferred Compensation Program, 50% employer and 50% employee, up to and additional 6% (3% employer and 3% employee) for a total of 12% (9% employer and 3% employee).

For part-time employees, the County agrees to fund 4% of the gross employee earnings per pay period into a Section 401(a) defined contribution individual retirement account. To encourage part-time employees to participate, the County agrees to match individual pre-tax contributions into a Section 457 Deferred Compensation Program, 50% employer and 50% employee, up to and additional 6% (3% employer and 3% employee) for a total of 10% (7% employer and 3% employee).

Both full-time and part-time employees have the option of providing additional unmatched pre-tax contributions to their individual Section 457 retirement account as authorized by the plan. A vesting schedule gives employees 20% vesting per year and at the end of the fifth year employees will be 100% vested on the employer's contribution portion. Employees are always 100% vested on the employee contribution portion.

During the 2007 fiscal year, employer and employee contributions relating to the defined contribution plan were \$50,472 and \$16,979, respectively.

Defined Benefit Plan Description – The County of Iron participates in a defined benefit contributory retirement plan administered by the Municipal Employee's Retirement System (MERS). The retirement plan covers full-time and limited part-time employees hired prior to April 1, 2004. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS (continued)**

The General County offers its various departments either benefit B-1, B-2 or B-3. Under benefit B-1 employees shall receive 1.7% of their three-year final average compensation (FAC); under benefit B-2 employees shall receive 2.0% of their three-year FAC; and under benefit B-3 provides for employees to receive 2.25% of FAC, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Clerk's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, plus a percentage based on age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**GASB 25 INFORMATION (as of 12/31/06)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 6,750,427
Terminated employees not yet receiving benefits	753,070
Non-vested terminated employees	54,426
Current Employees:	
Accumulated employee contributions including allocated investment income	1,516,798
Employer financed	10,105,046
	<hr/>
Total actuarial accrued liability	19,179,767
	<hr/>
Net assets available for benefits, at actuarial value (market value is \$16,781,877)	16,550,352
	<hr/>
Unfunded (overfunded) actuarial accrued liability	\$ 2,629,415
	<hr/>

**GASB 27 INFORMATION (as of 12/31/06)**

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 734,268
Amortization factor used	0.054719

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS (continued)**

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	164,988	100%	-
2005	176,554	100%	-
2006	179,976	100%	-

The General County was required to contribute \$193,216 for the year ended December 31, 2007. Payments were based on contribution calculations made by MERS.

The County is required to contribute at an actuarially determined rate, which are a percentage of covered payrolls as listed below:

Valuation Division	Contribution Percentage		
	2008*	2007*	2006*
General	\$6,211 #	\$7,132 #	14.79%
Sheriff	\$2,878 #	\$2,951 #	13.23%
ASFME Union Employees	4.25%	4.25%	4.25%
AFSCME Courthouse Employees	10.72%	11.12%	11.23%
911 Dispatchers	11.17%	11.42%	10.90%
Sheriff & Undersheriff	\$1,273 #	\$1,222 #	13.48%
Admin Staff & RN Group	14.63%	15.32%	15.52%
SEIU Union Employees	4.25%	4.25%	4.25%
RN Employees	9.37%	10.25%	10.58%
MCF/Crystal Manor	\$0 #	\$0 #	4.25%

\* Represents the actuarial required contribution for the fiscal year ended.

# Beginning in 2007, a monthly dollar contribution is shown for divisions that are closed to new hires.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS (continued)**

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	16,280,905	14,047,247	2,233,658	86%	7,879,383	28%
2005	17,654,380	15,180,227	2,474,153	86%	8,718,022	28%
2006	19,179,767	16,550,352	2,629,415	86%	8,816,274	30%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**County Road Commission - Component Unit**

Plan Description – The Iron County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2006.

The Road Commission offers its participants either benefits B-3 or B-4. Under benefit B-3, employees shall receive 2.25% of their five-year final average compensation with a maximum benefit of 80% of final average compensation. Under benefit B-4, employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirement vary by plan division. The most recent actuarial report gives the details of the plan and a copy is on file at the Road Commission office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/06)**

Actuarial Accrued Liability:		
Retirees and beneficiaries currently receiving benefits	\$	5,042,036
Terminated employees not yet receiving benefits		46,124
Current Employees:		
Accumulated employee contributions including allocated investment income		116
Employer financed		4,206,002
		<hr/>
Total actuarial accrued liability		9,294,278
		<hr/>
Net assets available for benefits, at actuarial value (market value is \$5,536,640)		5,460,257
		<hr/>
Unfunded (overfunded) actuarial accrued liability	\$	3,834,021
		<hr/>

**GASB 27 INFORMATION (as of 12/31/06)**

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 320,736
Amortization factor used - underfunded liabilities (30 years)	0.054719

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 305,609	100%	-
2005	333,337	100%	-
2006	312,733	100%	-

The Road Commission was required to contribute \$303,330 for the year ended December 31, 2007. Payments were based on contributions calculations made by MERS.



**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS (continued)**

The Road Commission is required to contribute at an actuarially determined rate, which are a percentage of covered payrolls as listed below:

Valuation Division	Contribution Percentage		
	2008*	2007*	2006*
Comm/Sal/Non-Un	26.52%	27.72%	29.29%
Tmsters Local 328	33.67%	32.50%	30.62%
Hourly Non-Union	24.39%	25.70%	26.78%

\* Represents the actuarial required contribution for the fiscal year ended.

**Aggregate Accrued Liabilities - Comparative Schedule**

Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
December 31,						
2004	5,045,678	8,898,836	3,853,158	57%	1,081,518	356%
2005	5,239,977	9,206,783	3,966,806	57%	1,069,367	371%
2006	5,460,257	9,294,278	3,834,021	59%	1,041,098	368%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**District Health - Component Unit**

Defined Contribution Plan Description – Effective January 1, 2006, the Dickinson-Iron District Health Department adopted a Defined Contribution Plan administered by the Municipal Employees Retirement System (MERS). AFSCME (Division #10) and Non-Union (Division #11) employees and employees eligible for MERS membership hired after January 1, 2006, or who have previously not participated in MERS are eligible to participate in the plan. Normal retirement age under the plan shall be age 60 (not to exceed age 65).

Defined contribution plan contribution provisions are as follows:

Employer Contributions	Required Employee Contributions
5%	0%
6%	1%
7%	2%

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS (continued)**

Defined contribution plan vesting provisions are as follows:

<u>Years of Service Completed</u>	<u>Specified Vesting Requirements</u>
0	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

During the 2007 fiscal year, employer and employee contributions relating to the defined contribution plan were \$10,101 and \$9,315, respectively.

**Defined Benefit Plan Description**

The Dickinson-Iron District Health Department is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The Health Department offers benefit B-4. Under B-4, employees shall receive 2.5% of FAC, with a maximum benefit of 80% of final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

**Actuarial Accrued Liability** – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/06)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 2,991,262
Terminated employees not yet receiving benefits	845,942
Non-vested terminated employees	17,841
Current Employees:	
Accumulated employee contributions including allocated investment income	120,620
Employer financed	<u>1,983,111</u>
Total actuarial accrued liability	5,958,776
Net assets available for benefits, at actuarial value (market value is \$5,311,795)	<u>5,238,514</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 720,262</u></u>

**GASB 27 INFORMATION (as of 12/31/06)**

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 135,960
Amortization factor used	0.054719

Contributions Required and Contributions Made – MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 163,769	100%	-
2005	149,839	100%	-
2006	123,123	100%	-

The Health Department was required to contribute \$119,963 for the year ended December 31, 2007. Payments are based on contribution calculations made by MERS.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE M - RETIREMENT PLANS (continued)**

The Health Department is required to contribute at an actuarially determined rate, which are a percentage of covered payrolls:

Valuation Division	Contribution Percentage		
	2008*	2007*	2006*
MNA Employees	12.00%	12.85%	12.15%
AFSCME	\$1,808 #	9.15%	10.65%
Non Union	\$5,510 #	14.68%	11.71%
Med Director	\$164 #	\$175 #	\$221 #

\* Represents the actuarial required contribution for the fiscal year ended.

# A monthly dollar contribution is shown for divisions that are closed to new hires.

**Aggregated Accrued Liabilities – Comparative Schedule**

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 4,825,736	\$ 5,586,145	\$ 760,409	86%	\$ 1,651,442	46%
2005	5,033,519	5,833,782	800,263	86%	1,105,465	72%
2006	5,238,514	5,958,776	720,262	88%	934,928	77%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**Medical Care Facility – Component Unit**

The Medical Care Facility participates with the County in the Michigan Municipal Employees' Retirement System (MERS). MERS is an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability, and death benefits to plan members and their beneficiaries.

The obligation to contribute to, and maintain, the System for these employees was established by negotiations with the County's competitive bargaining units and requires a contribution from the employee ranging from 1.95% to 5.27% of eligible gross earnings for 2007 as defined by the System. The Facility's contribution requirement is actuarially determined and is equal to the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 10 years. Facility contributions for the plan years ended December 31, 2007, 2006, and 2005 were \$563,217, \$546,562, and \$503,565, respectively.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE N - CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

The Dickinson-Iron District Health Department is at risk of potentially being required to payback cost-based reimbursement payments from the State for Medicaid, determinable by the Michigan Department of Community Health (MDCH).

**NOTE O - RISK MANAGEMENT**

The County of Iron participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000 per person and \$250,000 per occurrence. The limits on vehicle physical damage are \$1,500,000. The retention limits for property coverage are subject to a \$250 deductible. Some members have individual retention levels different than the ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the member's self-insured retention. The member's self-insured retention and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the member's self-insured retention and the Limits of Coverage.

Iron County agrees to maintain, at all times, on account with MMRMA, sufficient funds to pay its self-insured retention obligations. The member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the member's self-insured retention.

At December 31, 2007, the County had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2007**

**NOTE P – POST-RETIREMENT BENEFITS**

**Iron County Road Commission**

Iron County Road Commission provides post-employment health care benefits and life insurance benefits, in accordance with the provisions of Article 49, Section 3, and Article 50, Section 2 of the union agreement for all retirees who were hired by the Road Commission, and retired under MERS. The post-employment health care benefits provides that the Road Commission will continue to pay the monthly hospitalization insurance plan premium for the retiree only, without the specific drug and dental program, provided the retiree makes application for the Medicare card, prior to the effective date of Medicare coverage. The post-employment life insurance benefit provides that the Road Commission will pay for \$8,000 of term life insurance coverage for each retiree. Currently, 23 retirees are eligible for these post-employment benefits. The Road Commission's policy is to finance these benefits on a pay-as-you-go basis. During the year 2007, expenditures of \$157,233 were recognized for post-employment health care benefits, and \$10,886 for life insurance benefits.

**Medical Care Facility**

The Medical Care Facility provides post-retirement health care benefits to all employees who retire from the Facility on or after attaining age 62 with at least 10 years of service. The Facility pays health insurance premiums for the retiree until they reach age 65. Employees of the former Crystal Manor who retired prior to July 1, 2002 have their health insurance paid until death. Currently, 11 retirees meet these eligibility requirements. Expenses for post-retirement health care benefits are recognized monthly as premiums are paid. Approximately \$25,000 of costs pertaining to post-retirement benefits was included in the Facility's health insurance expense for the year ended December 31, 2007.

**NOTE Q – PRIOR PERIOD ADJUSTMENT**

**District Health Department**

A prior period adjustment was made to record revenue attributed to an unrecorded accounts receivable for the 2006 cost settlement for Medicaid as of December 31, 2006.

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 2,711,040	\$ 2,726,226	\$ 2,910,601	\$ 184,375
License and permits	7,350	5,228	5,228	-
Federal sources	155,453	181,843	180,724	(1,119)
State sources	563,268	588,524	575,298	(13,226)
Charges for services	496,250	561,406	557,883	(3,523)
Interest and rentals	60,000	77,972	77,972	-
Other	76,452	93,607	86,326	(7,281)
Total revenues	4,069,813	4,234,806	4,394,032	159,226
<b>EXPENDITURES:</b>				
Legislative:				
Board of commissioners	79,750	91,085	91,085	-
Judicial system:				
Trial court	610,468	614,963	619,154	(4,191)
Friend of court	99,774	98,994	99,447	(453)
Jury commission	750	406	406	-
General government:				
Elections	9,350	6,752	6,732	20
Commissioner's assistant	106,164	102,824	103,200	(376)
Prosecuting attorney	233,319	210,753	209,502	1,251
Assistant prosecutor	-	-	-	-
Clerk	107,920	108,866	108,759	107
Equalization	99,028	97,144	97,251	(107)
Register of deeds	85,790	81,827	81,917	(90)
Insurance and bonds	700,960	651,161	610,763	40,398
General county	416,695	456,950	473,393	(16,443)
Microfilm project	22,351	21,872	21,601	271
Treasurer	134,464	134,172	134,444	(272)
Courthouse and grounds	141,729	130,189	130,142	47
Remonumentation	121,676	121,676	121,676	-
Drain commissioner	6,313	4,858	4,857	1
Public safety:				
Sheriff's administration	315,396	326,699	327,872	(1,173)
Road patrol	56,305	39,280	39,171	109
Marine patrol	5,755	4,041	4,041	-
Snowmobile	14,279	1,695	1,695	-
ORV	13,729	4,919	4,910	9
Jail	744,227	702,064	702,371	(307)
Mine inspector	8,463	6,405	6,405	-
Animal control	32,222	34,013	34,132	(119)
Cultural and recreation:				
Veteran's burial	10,500	5,350	5,350	-
Cooperative extension services	53,431	50,789	50,751	38
Health and welfare:				
Medical examiner	17,000	19,253	19,253	-
Other:				
Appropriations	5,665	2,740	63,105	(60,365)
Other	-	-	2,000	(2,000)
Total expenditures	4,253,473	4,131,740	4,175,385	(43,645)
Excess revenues (expenditures)	(183,660)	103,066	218,647	115,581
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	360,626	361,228	362,664	1,436
Transfer out	(359,830)	(489,519)	(427,153)	62,366
Total other financing sources (uses)	796	(128,291)	(64,489)	63,802
Net changes in fund balances	(182,864)	(25,225)	154,158	179,383
Fund balances - beginning	905,060	905,060	905,060	-
Fund balances - ending	\$ 722,196	\$ 879,835	\$ 1,059,218	\$ 179,383

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**MAINTENANCE OF EFFORT - MEDICARE**  
**For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget- Positive/ (Negative)
	Original	Final	(See Note A)	
<b>REVENUES:</b>				
Taxes	\$ 556,785	\$ 560,219	\$ 560,219	\$ -
Interest and rentals	12,000	23,578	23,578	
Other	-	24,432	24,432	-
Total revenues	568,785	608,229	608,229	-
<b>EXPENDITURES:</b>				
Health and welfare	-	-	468,674	(468,674)
Excess revenues (expenditures)	568,785	608,229	139,555	(468,674)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(1,055,133)	(1,016,922)	(75,000)	941,922
Net changes in fund balances	(486,348)	(408,693)	64,555	473,248
Fund balances - beginning	408,693	408,693	408,693	-
Fund balances - ending	\$ (77,655)	\$ -	\$ 473,248	\$ 473,248



**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**REVENUE SHARING RESERVE FUND**  
**For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 730,543	\$ 121,012	\$ -	\$ (121,012)
Interest and rentals	6,000	32,109	32,109	-
Total revenues	736,543	153,121	32,109	(121,012)
<b>EXPENDITURES:</b>				
Other	-	1,381	1,381	-
Excess revenues (expenditures)	736,543	151,740	30,728	(121,012)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(1,307,519)	(1,768,314)	(239,851)	1,528,463
Net changes in fund balances	(570,976)	(1,616,574)	(209,123)	1,407,451
Fund balances - beginning	1,616,574	1,616,574	1,616,574	-
Fund balances - ending	\$ 1,045,598	\$ -	\$ 1,407,451	\$ 1,407,451

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**EDC/REVOLVING LOAN FUND**  
**For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Positive/</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	
<b>REVENUES:</b>				
Interest and rentals	\$ 1,020	\$ 1,020	\$ 557	\$ (463)
Other	81,060	94,364	86,579	(7,785)
Total revenues	82,080	95,384	87,136	(8,248)
<b>EXPENDITURES:</b>				
Other	142,080	131,438	81,169	50,269
Excess revenues (expenditures)	(60,000)	(36,054)	5,967	42,021
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	-	-	-
Net changes in fund balances	(60,000)	(36,054)	5,967	42,021
Fund balances - beginning	36,054	36,054	36,054	-
Fund balances - ending	<u>\$ (23,946)</u>	<u>\$ -</u>	<u>\$ 42,021</u>	<u>\$ 42,021</u>

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**REFUND BOND DEBT SERVICE FUND**  
**For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 339,109	\$ 355,155	\$ 355,155	\$ -
Interest and rentals	2,500	4,660	4,660	-
Other	-	87	87	-
Total revenues	341,609	359,902	359,902	-
<b>EXPENDITURES:</b>				
Debt service:				
Principal	300,000	300,000	300,000	-
Interest	96,050	96,050	96,050	-
Other	47,736	72,436	3,577	68,859
Total expenditures	443,786	468,486	399,627	68,859
Excess revenues (expenditures)	(102,177)	(108,584)	(39,725)	68,859
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	-	-	-
Net changes in fund balances	(102,177)	(108,584)	(39,725)	68,859
Fund balances - beginning	108,584	108,584	108,584	-
Fund balances - ending	\$ 6,407	\$ -	\$ 68,859	\$ 68,859

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**2002 MEDICAL CARE FACILITY BOND DEBT RETIREMENT FUND**  
**For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive/ (Negative)
<b>REVENUES:</b>				
Taxes	\$ 646,277	\$ 662,383	\$ 670,693	\$ 8,310
Interest and rentals	4,000	10,297	10,297	-
Total revenues	650,277	672,680	680,990	8,310
<b>EXPENDITURES:</b>				
Debt service:				
Principal	370,000	370,000	370,000	-
Interest	332,641	332,641	332,641	-
Other	48,396	81,442	6,453	74,989
Total expenditures	751,037	784,083	709,094	74,989
Excess revenues (expenditures)	(100,760)	(111,403)	(28,104)	83,299
Fund balances - beginning	111,403	111,403	111,403	-
Fund balances - ending	\$ 10,643	\$ -	\$ 83,299	\$ 83,299

**COUNTY OF IRON, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2007**

	Special Revenue Funds			
	Family Counseling	County Parks	Friend of Court Incentive	Probation Surcharge
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 11,034	\$ 34,750	\$ 930	\$ 6,232
Receivables:				
State of Michigan	-	-	910	-
Accounts	-	-	-	-
Current property taxes	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 11,034</u>	<u>\$ 34,750</u>	<u>\$ 1,840</u>	<u>\$ 6,232</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 1,610	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Accrued payroll	-	1,242	-	-
Total liabilities	<u>-</u>	<u>2,852</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>11,034</u>	<u>31,898</u>	<u>1,840</u>	<u>6,232</u>
Total fund balances	<u>11,034</u>	<u>31,898</u>	<u>1,840</u>	<u>6,232</u>
Total liabilities and fund balances	<u>\$ 11,034</u>	<u>\$ 34,750</u>	<u>\$ 1,840</u>	<u>\$ 6,232</u>

See accompanying notes to financial statements

Special Revenue Funds						
Register of Deeds Automation	Budget Stabilization	Enhanced 911	Local Corrections Officer Training	Drug Forfeiture - Prosecutor	Drug Forfeiture - Sheriff	Law Library
\$ 57,711	\$ 152,000	\$ 476,287	\$ 9,302	\$ 2,822	\$ 3,152	\$ 9,835
-	-	-	-	-	-	-
-	-	39,575	-	-	-	-
-	-	-	-	-	-	-
1,454	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 59,165</u>	<u>\$ 152,000</u>	<u>\$ 515,862</u>	<u>\$ 9,302</u>	<u>\$ 2,822</u>	<u>\$ 3,152</u>	<u>\$ 9,835</u>
\$ 112	\$ -	\$ 7,561	\$ -	\$ -	\$ -	\$ 2,953
-	-	-	-	-	-	-
-	-	-	-	-	-	-
356	-	9,564	-	-	-	-
<u>468</u>	<u>-</u>	<u>17,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,953</u>
58,697	152,000	498,737	9,302	2,822	3,152	6,882
58,697	152,000	498,737	9,302	2,822	3,152	6,882
<u>\$ 59,165</u>	<u>\$ 152,000</u>	<u>\$ 515,862</u>	<u>\$ 9,302</u>	<u>\$ 2,822</u>	<u>\$ 3,152</u>	<u>\$ 9,835</u>

**COUNTY OF IRON, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2007**

	Special Revenue Funds			
	Drug Court Grant Program	Senior Citizens	Alcohol Assessment	Child Care
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ (28,542)	\$ 500	\$ 7,112	\$ 26,761
Receivables:				
State of Michigan	22,470	-	-	6,604
Accounts	-	-	-	-
Current property taxes	-	103,107	-	-
Due from other funds	-	1,119	-	-
Inventory	-	-	-	-
Total assets	<u>\$ (6,072)</u>	<u>\$ 104,726</u>	<u>\$ 7,112</u>	<u>\$ 33,365</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 887	\$ -	\$ 313	\$ 405
Due to other funds	-	902	-	-
Deferred revenue	-	103,107	-	-
Accrued payroll	<u>1,473</u>	<u>-</u>	<u>-</u>	<u>1,272</u>
Total liabilities	<u>2,360</u>	<u>104,009</u>	<u>313</u>	<u>1,677</u>
Fund balances:				
Unreserved:				
Undesignated	<u>(8,432)</u>	<u>717</u>	<u>6,799</u>	<u>31,688</u>
Total fund balances	<u>(8,432)</u>	<u>717</u>	<u>6,799</u>	<u>31,688</u>
Total liabilities and fund balances	<u>\$ (6,072)</u>	<u>\$ 104,726</u>	<u>\$ 7,112</u>	<u>\$ 33,365</u>

See accompanying notes to financial statements

Special Revenue Funds

Soldiers Relief	Veterans Trust	Veterans Program	Public Act 302	Plat Book	Sheriff's Department Equipment	Courthouse Repair
\$ 415	\$ 1,568	\$ 6,457	\$ 4,493	\$ 18,774	\$ 17,813	\$ 813
-	381	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 415</u>	<u>\$ 1,949</u>	<u>\$ 6,457</u>	<u>\$ 4,493</u>	<u>\$ 18,774</u>	<u>\$ 17,813</u>	<u>\$ 813</u>
\$ -	\$ 150	\$ 5,983	\$ -	\$ 41	\$ 1,284	\$ 813
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>150</u>	<u>5,983</u>	<u>-</u>	<u>41</u>	<u>1,284</u>	<u>813</u>
<u>415</u>	<u>1,799</u>	<u>474</u>	<u>4,493</u>	<u>18,733</u>	<u>16,529</u>	<u>-</u>
<u>415</u>	<u>1,799</u>	<u>474</u>	<u>4,493</u>	<u>18,733</u>	<u>16,529</u>	<u>-</u>
<u>\$ 415</u>	<u>\$ 1,949</u>	<u>\$ 6,457</u>	<u>\$ 4,493</u>	<u>\$ 18,774</u>	<u>\$ 17,813</u>	<u>\$ 813</u>



**COUNTY OF IRON, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2007**

	Special Revenue Funds			
	CDBG Grant	Youth Camp	Forest Resources	Fairgrounds
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 44	\$ 110,191	\$ -	\$ 6,489
Receivables:				
State of Michigan	-	-	-	-
Accounts	-	-	-	-
Current property taxes	-	198,768	-	-
Due from other funds	-	2,159	-	-
Inventory	-	3,574	-	-
Total assets	<u>\$ 44</u>	<u>\$ 314,692</u>	<u>\$ -</u>	<u>\$ 6,489</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 5,497	\$ -	\$ -
Due to other funds	-	19,911	-	-
Deferred revenue	-	198,708	-	-
Accrued payroll	-	-	-	-
Total liabilities	<u>-</u>	<u>224,116</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>44</u>	<u>90,576</u>	<u>-</u>	<u>6,489</u>
Total fund balances	<u>44</u>	<u>90,576</u>	<u>-</u>	<u>6,489</u>
Total liabilities and fund balances	<u>\$ 44</u>	<u>\$ 314,692</u>	<u>\$ -</u>	<u>\$ 6,489</u>

See accompanying notes to financial statements

Airport	Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	2003 Courthouse Debt Retirement	2003 Road Commission Building Debt	Courthouse Bond Retirement	DNR Pentoga Construction Grant	MEDC Grant Construction	
\$ 474	\$ 252	\$ 48,808	\$ 243,826	\$ (35,421)	\$ (3,597)	\$ 1,191,285
-	-	-	-	35,421	-	65,786
-	-	-	-	-	-	39,575
-	-	-	243,361	-	-	545,236
-	-	-	2,601	-	3,597	10,930
-	-	-	-	-	-	3,574
<u>\$ 474</u>	<u>\$ 252</u>	<u>\$ 48,808</u>	<u>\$ 489,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,856,386</u>
\$ 195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,804
-	-	-	1,959	-	-	22,772
-	-	-	243,361	-	-	545,176
-	-	-	-	-	-	13,907
<u>195</u>	<u>-</u>	<u>-</u>	<u>245,320</u>	<u>-</u>	<u>-</u>	<u>609,659</u>
<u>279</u>	<u>252</u>	<u>48,808</u>	<u>244,468</u>	<u>-</u>	<u>-</u>	<u>1,246,727</u>
<u>279</u>	<u>252</u>	<u>48,808</u>	<u>244,468</u>	<u>-</u>	<u>-</u>	<u>1,246,727</u>
<u>\$ 474</u>	<u>\$ 252</u>	<u>\$ 48,808</u>	<u>\$ 489,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,856,386</u>

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2007**

	Special Revenue Funds			
	Family Counseling	County Parks	Friend of Court Incentive	Probation Surcharge
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	2,360	-
Charges for services	-	121,429	-	-
Interest and rentals	-	-	-	-
Other	1,055	3,051	150	1,750
Total revenues	1,055	124,480	2,510	1,750
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
Public safety	-	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	-	119,752	-	-
Health and welfare	1,341	-	-	-
Community development	-	-	-	-
Capital outlay	-	14,220	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	1,341	133,972	-	-
Excess revenues (expenditures)	(286)	(9,492)	2,510	1,750
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	15,375	-	-
Transfer out	-	(16,000)	(2,360)	-
Total other financing sources (uses)	-	(625)	(2,360)	-
Net changes in fund balance	(286)	(10,117)	150	1,750
Fund balances - beginning	11,320	42,015	1,690	4,482
Fund balances - ending	\$ 11,034	\$ 31,898	\$ 1,840	\$ 6,232

See accompanying notes to financial statements

Special Revenue Funds						
Register of Deeds Automation	Budget Stabilization	Enhanced 911	Local Corrections Officer Training	Drug Forfeiture - Prosecutor	Drug Forfeiture - Sheriff	Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	305,627	10,000	-	-	-
761	-	14,518	-	37	24	-
-	-	-	-	1,080	900	2,500
761	-	320,145	10,000	1,117	924	2,500
-	-	-	-	-	-	21,248
-	-	317,152	698	898	184	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,696	-	-	-	-	-	-
9,696	-	317,152	698	898	184	21,248
(8,935)	-	2,993	9,302	219	740	(18,748)
19,485	98,500	20,480	-	-	-	21,636
-	(53,500)	-	-	-	-	-
19,485	45,000	20,480	-	-	-	21,636
10,550	45,000	23,473	9,302	219	740	2,888
48,147	107,000	475,264	-	2,603	2,412	3,994
\$ 58,697	\$ 152,000	\$ 498,737	\$ 9,302	\$ 2,822	\$ 3,152	\$ 6,882

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2007**

	Special Revenue Funds			
	Drug Court Grant Program	Senior Citizens	Alcohol Assessment	Child Care
<b>REVENUES:</b>				
Taxes	\$ -	\$ 100,736	\$ -	\$ -
Federal sources	-	-	-	-
State sources	65,366	-	-	-
Charges for services	1,453	-	7,855	3,316
Interest and rentals	-	-	-	-
Other	-	-	5,991	8,514
Total revenues	66,819	100,736	13,846	11,830
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
Public safety	79,749	-	-	-
Highway and transportation	-	100,519	-	-
Cultural and recreation	-	-	-	-
Health and welfare	-	-	-	74,816
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	10,173	-
Total expenditures	79,749	100,519	10,173	74,816
Excess revenues (expenditures)	(12,930)	217	3,673	(62,986)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	-	-	64,426
Transfer out	-	-	(5,690)	-
Total other financing sources (uses)	-	-	(5,690)	64,426
Net changes in fund balance	(12,930)	217	(2,017)	1,440
Fund balances - beginning	4,498	500	8,816	30,248
Fund balances - ending	\$ (8,432)	\$ 717	\$ 6,799	\$ 31,688

See accompanying notes to financial statements

Special Revenue Funds

Soldiers Relief	Veterans Trust	Veterans Program	Public Act 302	Plat Book	Sheriff's Department Equipment	Courthouse Repair
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	7,543	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	61	-	176	-
-	-	-	-	23,521	25,252	-
-	7,543	-	61	23,521	25,428	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
185	5,777	57,011	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	25,601	28,085
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,609	213	-	-
185	5,777	57,011	2,609	213	25,601	28,085
(185)	1,766	(57,011)	(2,548)	23,308	(173)	(28,085)
-	-	58,933	-	-	-	13,000
-	(416)	(1,437)	-	(15,000)	-	(3,996)
-	(416)	57,496	-	(15,000)	-	9,004
(185)	1,350	485	(2,548)	8,308	(173)	(19,081)
600	449	(11)	7,041	10,425	16,702	19,081
\$ 415	\$ 1,799	\$ 474	\$ 4,493	\$ 18,733	\$ 16,529	\$ -

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended December 31, 2007**

	Special Revenue Funds			
	CDBG Grant	Youth Camp	Forest Resources	Fairgrounds
<b>REVENUES:</b>				
Taxes	\$ -	\$ 185,574	\$ -	\$ -
Federal sources	16,767	1,006	-	-
State sources	-	-	-	-
Charges for services	-	137,100	-	-
Interest and rentals	-	2,929	-	-
Other	-	7,423	-	6,717
Total revenues	16,767	334,032	-	6,717
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
Public safety	-	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	-	323,788	-	-
Health and welfare	-	-	-	-
Community development	16,767	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	3,351	6,957
Total expenditures	16,767	323,788	3,351	6,957
Excess revenues (expenditures)	-	10,244	(3,351)	(240)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	-	10,244	(3,351)	(240)
Fund balances - beginning	44	80,332	3,351	6,729
Fund balances - ending	\$ 44	\$ 90,576	\$ -	\$ 6,489

See accompanying notes to financial statements

Airport	Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	2003 Courthouse Debt Retirement	2003 Road Commission Building Debt	Courthouse Bond Retirement	DNR Pentoga Construction Grant	MEDC Grant Construction	
\$ -	\$ -	\$ -	\$ 198,005	\$ -	\$ -	\$ 484,315
-	-	-	-	-	-	17,773
-	-	-	-	90,000	-	165,269
-	-	-	-	-	-	586,780
-	-	1,069	4,620	-	-	24,195
6,845	-	-	57	6,915	-	101,721
6,845	-	1,069	202,682	96,915	-	1,380,053
-	-	-	-	-	-	21,248
-	-	-	-	-	-	398,681
18,167	-	45,000	-	-	-	163,686
-	-	-	-	188,511	-	632,051
-	-	-	-	-	-	139,130
-	-	-	-	-	-	16,767
-	-	-	-	-	-	67,906
-	-	-	-	-	-	-
-	8,000	-	55,000	-	-	63,000
-	16,150	95,300	114,420	-	-	225,870
-	-	-	1,959	132	-	35,090
18,167	24,150	140,300	171,379	188,643	-	1,763,429
(11,322)	(24,150)	(139,231)	31,303	(91,728)	-	(383,376)
9,059	24,150	128,700	-	106,000	-	579,744
-	-	-	-	(15,375)	-	(113,774)
9,059	24,150	128,700	-	90,625	-	465,970
(2,263)	-	(10,531)	31,303	(1,103)	-	82,594
2,542	252	59,339	213,165	1,103	-	1,164,133
\$ 279	\$ 252	\$ 48,808	\$ 244,468	\$ -	\$ -	\$ 1,246,727



**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**December 31, 2007**

	<u>Construction Code</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 1999</u>	<u>Tax Revolving 2000</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 97,025	\$ 8,258	\$ 19,550	\$ 16,380
Total current assets	<u>97,025</u>	<u>8,258</u>	<u>19,550</u>	<u>16,380</u>
Noncurrent assets:				
Receivables:				
Delinquent taxes	-	-	113	114
Accrued interest on taxes	-	-	-	-
Capital assets, net of accumulated depreciation	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>9,000</u>	<u>-</u>	<u>113</u>	<u>114</u>
Total assets	<u>\$ 106,025</u>	<u>\$ 8,258</u>	<u>\$ 19,663</u>	<u>\$ 16,494</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,215	\$ -	\$ -	\$ -
Accrued payroll	<u>602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,817</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>				
Unrestricted	<u>104,208</u>	<u>8,258</u>	<u>19,663</u>	<u>16,494</u>
Total net assets	<u>104,208</u>	<u>8,258</u>	<u>19,663</u>	<u>16,494</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 106,025</u>	<u>\$ 8,258</u>	<u>\$ 19,663</u>	<u>\$ 16,494</u>

See accompanying notes to financial statements

<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Tax Revolving 2004</u>	<u>Tax Revolving 2005</u>	<u>Tax Revolving 2006</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>\$ 15,580</u>	<u>\$ 27,510</u>	<u>\$ 24,682</u>	<u>\$ 27,463</u>	<u>\$ 134,496</u>	<u>\$ 296,450</u>	<u>\$ 667,394</u>
<u>15,580</u>	<u>27,510</u>	<u>24,682</u>	<u>27,463</u>	<u>134,496</u>	<u>296,450</u>	<u>667,394</u>
116	786	949	2,433	5,627	35,252	45,390
-	-	1,428	2,520	1,267	11,633	16,848
-	-	-	-	-	-	9,000
<u>116</u>	<u>786</u>	<u>2,377</u>	<u>4,953</u>	<u>6,894</u>	<u>46,885</u>	<u>71,238</u>
<u>\$ 15,696</u>	<u>\$ 28,296</u>	<u>\$ 27,059</u>	<u>\$ 32,416</u>	<u>\$ 141,390</u>	<u>\$ 343,335</u>	<u>\$ 738,632</u>
\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 1,215
-	-	-	-	-	-	602
-	-	-	-	-	-	1,817
<u>15,696</u>	<u>28,296</u>	<u>27,059</u>	<u>32,416</u>	<u>141,390</u>	<u>343,335</u>	<u>736,815</u>
<u>15,696</u>	<u>28,296</u>	<u>27,059</u>	<u>32,416</u>	<u>141,390</u>	<u>343,335</u>	<u>736,815</u>
<u>\$ 15,696</u>	<u>\$ 28,296</u>	<u>\$ 27,059</u>	<u>\$ 32,416</u>	<u>\$ 141,390</u>	<u>\$ 343,335</u>	<u>\$ 738,632</u>

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2007**

	<u>Construction Code</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 1999</u>	<u>Tax Revolving 2000</u>
<b>OPERATING REVENUES:</b>				
License and permits	\$ 145,033	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Penalties and interest on taxes	-	-	-	-
Other	2,791	-	-	-
	<u>147,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>147,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	26,165	-	-	-
Administrative fees	-	-	-	-
Depreciation expense	3,000	-	-	-
Other	70,846	3,248	-	-
	<u>100,011</u>	<u>3,248</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>100,011</u>	<u>3,248</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>47,813</u>	<u>(3,248)</u>	<u>-</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest on investments	-	23	211	262
Transfer in	-	4,240	-	-
Transfer out	(3,076)	(1,750)	-	-
	<u>(3,076)</u>	<u>2,513</u>	<u>211</u>	<u>262</u>
Total nonoperating revenues (expenses)	<u>(3,076)</u>	<u>2,513</u>	<u>211</u>	<u>262</u>
Change in net assets	44,737	(735)	211	262
Total net assets - beginning	<u>59,471</u>	<u>8,993</u>	<u>19,452</u>	<u>16,232</u>
Total net assets - ending	<u>\$ 104,208</u>	<u>\$ 8,258</u>	<u>\$ 19,663</u>	<u>\$ 16,494</u>

See accompanying notes to financial statements

Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2004	Tax Revolving 2005	Tax Revolving 2006	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,033
19	54	57	1,098	17,297	46,658	65,183
23	20	-	-	-	23,683	23,726
-	13	-	-	538	30	3,372
42	87	57	1,098	17,835	70,371	237,314
-	-	-	-	-	-	26,165
-	158	711	829	17,453	24,022	43,173
-	-	-	-	-	-	3,000
-	-	-	-	-	-	74,094
-	158	711	829	17,453	24,022	146,432
42	(71)	(654)	269	382	46,349	90,882
255	408	3,053	2,980	5,105	12,636	24,933
-	-	-	-	-	-	4,240
-	-	(135,118)	(95,687)	(102,150)	(817,280)	(1,155,061)
255	408	(132,065)	(92,707)	(97,045)	(804,644)	(1,125,888)
297	337	(132,719)	(92,438)	(96,663)	(758,295)	(1,035,006)
15,399	27,959	159,778	124,854	238,053	1,101,630	1,771,821
\$ 15,696	\$ 28,296	\$ 27,059	\$ 32,416	\$ 141,390	\$ 343,335	\$ 736,815

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2007**

	Construction Code	Tax Revolving Administration	Tax Revolving 1999	Tax Revolving 2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 145,033	\$ -	\$ -	\$ -
Cash received for collection of taxes	-	-	-	-
Other operating cash receipts	2,791	-	(1)	-
Payments for wages and related benefits	(25,836)	-	-	-
Other operating cash payments	(78,409)	(3,248)	-	-
Net cash provided (used) by operating activities	43,579	(3,248)	(1)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	4,240	-	-
Transfer out	(3,076)	(1,750)	-	-
Net cash provided (used) by noncapital financing activities	(3,076)	2,490	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	-	23	211	262
Net increase (decrease) in cash and equivalents	40,503	(735)	210	262
Cash and equivalents, beginning of year	56,522	8,993	19,340	16,118
Cash and equivalents, end of year	\$ 97,025	\$ 8,258	\$ 19,550	\$ 16,380
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 47,813	\$ (3,248)	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,000	-	-	-
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	-	(1)	-
Increase (decrease) in accounts payable	(7,563)	-	-	-
Increase (decrease) in other liabilities	329	-	-	-
Total adjustments	(4,234)	-	(1)	-
Net cash provided by operating activities	\$ 43,579	\$ (3,248)	\$ (1)	\$ -

See accompanying notes to financial statements

Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2004	Tax Revolving 2005	Tax Revolving 2006	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,033
73	106	106	14,022	79,349	455,654	549,310
-	13	-	-	538	30	3,371
-	-	-	-	-	-	(25,836)
-	(158)	(711)	(829)	(17,453)	(24,022)	(124,830)
73	(39)	(605)	13,193	62,434	431,662	547,048
-	-	-	-	-	-	4,240
-	-	(135,118)	(95,687)	(102,150)	(817,280)	(1,155,061)
-	-	(135,118)	(95,687)	(102,150)	(817,280)	(1,150,821)
255	408	3,053	2,980	5,105	12,636	24,933
328	369	(132,670)	(79,514)	(34,611)	(372,982)	(578,840)
15,252	27,141	157,352	106,977	169,107	669,432	1,246,234
\$ 15,580	\$ 27,510	\$ 24,682	\$ 27,463	\$ 134,496	296,450	667,394
\$ 42	\$ (71)	\$ (654)	\$ 269	\$ 382	46,349	\$ 90,882
-	-	-	-	-	-	3,000
31	32	49	12,924	62,052	385,313	460,400
-	-	-	-	-	-	(7,563)
-	-	-	-	-	-	329
31	32	49	12,924	62,052	385,313	456,166
\$ 73	\$ (39)	\$ (605)	\$ 13,193	\$ 62,434	431,662	\$ 547,048

**COUNTY OF IRON, MICHIGAN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**December 31, 2007**

	General Trust and Agency	Flex Spending	Friend of the Court Trust	District Court Bonds
<b>ASSETS</b>				
Cash and cash equivalents:				
Unrestricted	\$ 575,117	\$ 44,411	\$ 1	\$ 18,689
Receivables:				
Accounts	784	-	-	-
Due from other governmental units	10,062	-	-	-
Due from other funds	41,160	6,563	-	-
	<u>\$ 627,123</u>	<u>\$ 50,974</u>	<u>\$ 1</u>	<u>\$ 18,689</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 53,725	\$ -	\$ -	\$ -
Undistributed taxes	439,252	-	-	-
Other liabilities	134,146	50,974	1	18,689
	<u>\$ 627,123</u>	<u>\$ 50,974</u>	<u>\$ 1</u>	<u>\$ 18,689</u>

See accompanying notes to financial statements

Library Fund	Inmate Trust	Totals
\$ 26,176	\$ 1,222	\$ 665,616
-	-	784
-	-	10,062
-	-	47,723
<u>\$ 26,176</u>	<u>\$ 1,222</u>	<u>\$ 724,185</u>
\$ -	\$ -	\$ 53,725
-	-	439,252
<u>26,176</u>	<u>1,222</u>	<u>231,208</u>
<u>\$ 26,176</u>	<u>\$ 1,222</u>	<u>\$ 724,185</u>





**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Commissioners  
County of Iron  
Crystal Falls, Michigan 49920

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Iron, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the County of Iron, Michigan's basic financial statements, and have issued our report thereon dated June 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Iron, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Iron, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Iron, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Iron, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

Members of the Board of Commissioners  
County of Iron

County of Iron, Michigan's financial statements that are more than inconsequential will not be prevented or detected by the County of Iron, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, as items 07-1, 07-2 and 07-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Iron, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-2 and 07-3 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Iron, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Iron, Michigan, in a separate letter dated June 24, 2008.

The County of Iron, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit County of Iron, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

June 24, 2008



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Commissioners  
County of Iron  
Crystal Falls, Michigan 49920

Compliance

We have audited the compliance of the County of Iron, Michigan with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. County of Iron, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Iron, Michigan's management. Our responsibility is to express an opinion on County of Iron, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Iron, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Iron, Michigan's compliance with those requirements.

In our opinion, the County of Iron, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Members of the Board of Commissioners  
County of Iron

### Internal Control Over Compliance

The management of the County of Iron, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Iron, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal over compliance described in the accompanying schedule of findings and questioned costs as item 07-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 07-3 to be a material weakness.

County of Iron, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Iron, Michigan's response and, accordingly, we express no opinion on it.

Members of the Board of Commissioners  
County of Iron

This report is intended solely for the information and use of the County Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

June 24, 2008

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended December 31, 2007**

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA #</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>			
Passed through the Michigan Department of Human Services:			
Title IV-D Cooperative Reimbursement	93.563	{ CSPA-07-36002 }	
		{ CSFOC-07-36001 }	
		{ CSMED-07-36001 }	\$ 169,194
Foster Care - Title IV-E	93.658	PROFC-05-36001	1,423
Strong Families/Safe Children	93.556		7,742
Passed through State:			
0-3 Secondary Prevention Grant	93.558		88,371
Passed through Michigan Department of Community Health:			
Medical Assistance Program	93.778		85,457
Family Planning Project	93.217		49,184
Maternal and Child Health Services Block Title V	93.994		46,140
CDI - Breast & Cervical Cancer	93.283		26,176
Immunization IAP	93.268		337,679
Bioterrorism Supplemental	93.283		211,661
HIV Prev Act Health Dept. Based	93.940		94
Passed through Upper Peninsula Commission for Area Progress:			
Title IIID	93.043		<u>10,547</u>
Total U.S. Department of Health & Human Services			<u>1,033,668</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Passed through Michigan Department of Community Health:			
Special Supplemental Food Program for Woman, Infants and Children	10.557		155,738
Direct Payments:			
Special Milk Program for Children	10.556		<u>1,006</u>
Total U.S. Department of Agriculture			<u>156,744</u>
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY:</b>			
Operator Certification Expense Reimbursement	66.471		<u>1,200</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>			
Passed through State Emergency Management:			
Emergency Management Performance Grants	97.042		10,107
2006 Michigan Homeland Security Grant Program	97.067		<u>69,156</u>
Total Federal Emergency Management Agency			<u>79,263</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended December 31, 2007**

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA #</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through State:			
Special Education Grants for Infants and Families with Disabilities (Early On)	84.181		<u>52,645</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Passed through State:			
Community Development Block Grant	{ 14.228	MSC-2005-740-HOA	<u>16,767</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,340,287</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**COUNTY OF IRON, MICHIGAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2007**

**NOTE A – OVERSIGHT AGENCY**

The U.S. Department of Agriculture is the current year's oversight agency for single audit as determined by the agency providing the largest share of the County's direct federal financial assistance.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting.

**NOTE C – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS**

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

**NOTE D – FEDERAL REVENUE RECONCILIATION**

Federal revenue per governmental fund financial statements	\$ 198,497
Federal expenditures per schedule of expenditures of federal award	<u>1,340,287</u>
Difference	<u>(1,141,790)</u>
Reconciling items:	
Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:	
District Health Department	1,072,634
Federal funds disbursed on behalf of Iron County by Houghton County for the following grant program:	
2006 Michigan Homeland Security Grant Program	<u>69,156</u>
Reconciled difference	<u><u>\$ -</u></u>



**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2007**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Iron, Michigan.
2. Significant deficiencies and a material weakness disclosed during the audit of the basic financial statements are reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, and are detailed in part B of this schedule.
3. There were no instances of noncompliance material to the basic financial statements of the County of Iron, Michigan disclosed during the audit.
4. A material weakness disclosed during the audit of the major federal programs is reported in the *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133* and are detailed in part C of this schedule.
5. The auditor's report on compliance for the major federal programs for the County of Iron, Michigan expresses an unqualified opinion.
6. There was one audit finding relative to the major federal programs for the County of Iron, Michigan and is detailed in part C of this schedule.
7. The programs tested as a major program included:
  - Title IV-D Cooperative Reimbursement, CFDA #93.563
  - Immunizations IAP, CFDA #93.268
  - Bioterrorism Supplemental, CFDA #93.283
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Iron, Michigan was not determined to be a low-risk auditee.

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2007**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**07-1. PREPARATION OF FINANCIAL STATEMENTS**

Condition/Criteria: The County of Iron, Michigan does not prepare their own financial statements.

Effect: Significant deficiency in internal controls over financial reporting as County of Iron, Michigan does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.

Cause: The County of Iron, Michigan has chosen to not possess the personnel capable of preparing financial statements and the required footnote disclosures.

Recommendation: None.

**07-2. SIGNIFICANT AUDIT ADJUSTMENTS**

Condition/Criteria: Audit adjustments, which were more than inconsequential, were needed to adjust the financial reporting of the County of Iron, Michigan.

Effect: A significant deficiency in internal controls occurred as a result of audit adjustments, which in the aggregate, are more than inconsequential.

Cause: The financial reporting of the County was not properly reflected in the general ledger.

Recommendation: The financial reporting of the County should reflect all material account balances as of year-end.

**07-3. LACK IN SAFEGUARDING CONTROLS OVER CASH**

Condition/Criteria: Bank accounts of the County are not being reconciled to the general ledger on a monthly basis.

Effect: Significant deficiency in the design or operation of the internal control over the financial reporting, in our judgement, could adversely affect the County of Iron's ability to record and report financial data consistent with the assertions of management in the financial statements.

Cause: The necessary time to perform the recommended cash reconciliation procedures has not been taken.

Recommendation: We recommend the County perform monthly cash reconciliation between all bank accounts and the general ledger.

**COUNTY OF IRON, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2007**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

	<u>Questioned Costs</u>
<b>07-3. LACK IN SAFEGUARDING CONTROLS OVER CASH</b>	
<u>Condition/Criteria:</u> Bank accounts of the County are not being reconciled to the general ledger on a monthly basis.	
<u>Effect:</u> Significant deficiency in the design or operation of the internal control over the financial reporting, in our judgement, could adversely affect the County of Iron's ability to record and report financial data consistent with the assertions of management in the financial statements.	\$ -0-
<u>Cause:</u> The necessary time to perform the recommended cash reconciliation procedures has not been taken.	
<u>Recommendation:</u> We recommend the County perform monthly cash reconciliation between all bank accounts and the general ledger.	
<u>Management Response:</u> The County of Iron will continue to extend efforts to reconcile bank accounts with the general ledger on a monthly basis and will investigate and adjust the general ledger to the actual bank balance.	

**COUNTY OF IRON, MICHIGAN**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2007**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

**06-2. LACK IN SAFEGUARDING CONTROLS OVER CASH**

Condition/Criteria: Bank accounts of the County are not being reconciled to the general ledger on a monthly basis.

Effect: Significant deficiency in the design or operation of the internal control over the financial reporting, in our judgement, could adversely affect the County of Iron's ability to record and report financial data consistent with the assertions of management in the financial statements.

Cause: The necessary time to perform the recommended cash reconciliation procedures has not been taken.

Recommendation: We recommend the County perform monthly cash reconciliations between bank accounts and the general ledger.

Status: As of December 31, 2007, bank accounts of the County continue to not be reconciled to the general ledger.

Continuing Disclosure Filing

**County of Iron**  
State of Michigan

*Fiscal Year Ended  
December 31, 2007*

LIST OF CURRENT  
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES  
INFORMATION REPOSITORIES (NRMSIRs)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street – 45th Floor  
New York, New York 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-mail: nrmsir\_repository@sandp.com

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
E-mail: Munis@Bloomberg.com

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390  
E-mail: Nrmsir@FTID.com

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-mail: nrmsir@dpcdata.com

STATE INFORMATION REPOSITORY

Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, Michigan 48226-3517  
Phone: 313-963-0420  
Fax: 313-963-0943  
E-mail: mac@macmi.com

## MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: County of Iron, Michigan

CUSIP Numbers (attach additional sheet if necessary):

- ☐ Nine-digit number(s) to which the information relates:  
☒ Information relates to **all securities** issued by the issuer having the following six-digit number(s): 462765  
\* \* \*

Number of pages of attached information:

Description of Material Event Notice / Financial Information (Check One):

1. ☐ Principal and interest payment delinquencies
2. ☐ Non-Payment related defaults
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ☐ Substitution of credit or liquidity providers, or their failure to perform
6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security
7. ☐ Modifications to rights of securities holders
8. ☐ Bond calls
9. ☐ Defeasances
10. ☐ Release, substitution, or sale of property securing repayment of the securities
11. ☐ Rating changes
12. ☐ Failure to provide annual financial information as required
13. ☐ Other material event notice (specify)
14. ☒ Financial information\*: Please check all appropriate boxes:

☐ CAFR: (a) ☐ includes ☐ does not include Annual Financial Information

(b) Audited? Yes ☐ No ☐

☒ Annual Financial Information: Audited? Yes ☒ No ☐

☒ Operating Data

Fiscal Period Covered: Fiscal Year Ended December 31, 2007

\*Financial information **should not** be filed with the MSRB

\* \* \*

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: Jan R. Huizing Title: County Administrator

Employer: County of Iron

Address: 2 South Sixth Street, Suite 7

City, State, Zip Code: Crystal Falls, Michigan 49920-1413

Voice Telephone Number: (906) 875-0652

**County of Iron**  
**Total Taxable Value**  
**Fiscal Years Ended December 31, 2003 Through 2007**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended December 31	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)	Total Taxable Value	Percent Increase Over Prior Year
2002	2003	2003	321,055,877	80,387	321,136,264	4.41
2003	2004	2004	339,554,127	58,067	339,612,194	5.75
2004	2005	2005	361,636,736	54,302	361,691,038	6.50
2005	2006	2006	385,333,562	18,620	385,352,182	6.54
2006	2007	2007	407,246,655	17,640	407,273,942	5.69

Per Capita Total Taxable Value for the Fiscal Year Ended December 31, 2007 (2) ..... \$30,999.69

(1) At the full tax rate.

(2) Based on the County's 2000 Census population of 13,138.

Source: County of Iron

**County of Iron**  
**Total Taxable Value by Use and Class**  
**Fiscal Years Ended December 31, 2003 Through 2007**

	Fiscal Year Ended December 31				
Use	2003	2004	2005	2006	2007
Agriculture.....	\$ 5,253,241	\$ 5,468,494	\$ 5,699,152	\$ 4,871,149	\$ 8,083,126
Commercial .....	31,729,929	33,451,388	33,858,817	35,024,154	37,561,259
Utility.....	42,819,275	43,062,168	42,639,705	42,049,329	42,464,579
Industrial.....	27,359,350	27,742,706	28,294,690	29,604,931	30,307,951
Residential.....	198,887,622	213,655,159	233,754,546	254,068,702	270,131,671
Timber Cutover .....	15,100,177	16,256,769	17,389,826	19,715,297	18,700,068
Total.....	<u>\$ 321,149,594</u>	<u>\$ 339,636,684</u>	<u>\$ 361,636,736</u>	<u>\$ 385,333,562</u>	<u>\$ 458,346,031</u>
Class	2003	2004	2005	2006	2007
Real Property .....	\$ 272,593,977	\$ 290,242,752	\$ 312,034,386	\$ 335,540,772	\$ 407,246,655
Personal Property ....	48,555,617	49,393,932	49,602,350	49,792,790	51,099,376
Total.....	<u>\$ 321,149,594</u>	<u>\$ 339,636,684</u>	<u>\$ 361,636,736</u>	<u>\$ 385,333,562</u>	<u>\$ 458,346,031</u>

Source: County of Iron



**County of Iron**  
**Percent of Total Taxable Value by Use and Class**  
**Fiscal Years Ended December 31, 2003 Through 2007**

	Fiscal Year Ended December 31				
Use	2003	2004	2005	2006	2007
Agriculture.....	1.63%	1.61%	1.58%	1.26%	1.76%
Commercial .....	9.88	9.85	9.36	9.09	8.19
Utility.....	13.33	12.68	11.79	10.91	9.26
Industrial.....	8.52	8.16	7.82	7.68	6.61
Residential.....	61.93	62.91	64.64	65.93	70.01
Timber Cutover .....	4.70	4.79	4.81	5.12	4.08
Total.....	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Class	2003	2004	2005	2006	2007
Real Property .....	84.88%	85.46%	86.28%	87.08%	88.85%
Personal Property ....	<u>15.12</u>	<u>14.54</u>	<u>13.72</u>	<u>12.92</u>	<u>11.15</u>
Total.....	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: County of Iron

**County of Iron**  
**Total State Equalized Valuation**  
**Fiscal Years Ended December 31, 2003 Through 2007**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended December 31	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Acts 198 and 255	Total SEV	Percent Increase Over Prior Year
2002	2003	2003	472,061,769	187,434	472,249,203	8.76
2003	2004	2004	510,134,359	165,114	510,299,473	8.06
2004	2005	2005	544,910,439	161,349	545,071,788	6.81
2005	2006	2006	588,609,718	28,267	588,637,985	7.99
2006	2007	2007	634,078,605	27,287	634,105,892	7.72
Per Capita Total SEV for the Fiscal Year Ended December 31, 2007 (1) .....						\$48,265.02

(1) Based on the County's 2000 Census population of 13,138.

Source: County of Iron

**County of Iron**  
**Total SEV by Use and Class**  
**Fiscal Years Ended December 31, 2003 Through 2007**

	Fiscal Year Ended December 31				
Use	2003	2004	2005	2006	2007
Agriculture.....	\$ 10,987,894	\$ 14,073,223	\$ 16,546,441	\$ 11,869,940	\$ 17,316,943
Commercial .....	33,731,907	35,166,597	37,464,896	39,670,181	43,477,766
Utility .....	44,169,873	44,698,021	44,203,190	43,512,225	43,751,357
Industrial.....	28,000,315	28,320,075	28,764,221	30,188,470	30,838,441
Residential.....	314,699,458	344,863,198	373,027,754	414,664,779	447,534,331
Timber Cutover .....	40,659,756	43,178,359	44,903,937	48,704,123	51,159,767
Total.....	<u>\$ 472,249,203</u>	<u>\$ 510,299,473</u>	<u>\$ 544,910,439</u>	<u>\$ 588,609,718</u>	<u>\$ 634,078,605</u>
0					
Class	2003	2004	2005	2006	2007
Real Property.....	\$ 422,168,956	\$ 459,121,333	\$ 493,638,666	\$ 537,280,034	\$ 581,640,774
Personal Property .....	50,080,247	51,178,140	51,271,773	51,329,684	52,437,831
	<u>\$ 472,249,203</u>	<u>\$ 510,299,473</u>	<u>\$ 544,910,439</u>	<u>\$ 588,609,718</u>	<u>\$ 634,078,605</u>

Source: County of Iron

**County of Iron**  
**Percent of Total SEV by Use and Class**  
**Fiscal Years Ended December 31, 2003 Through 2007**

	Fiscal Year Ended December 31				
Use	2003	2004	2005	2006	2007
Agriculture.....	2.33%	2.75%	3.04%	2.02%	2.73%
Commercial .....	7.14	6.89	6.88	6.74	6.86
Utility .....	9.35	8.76	8.11	7.39	6.90
Industrial.....	5.93	5.55	5.28	5.13	4.86
Residential.....	66.64	67.59	68.46	70.45	70.58
Timber Cutover .....	8.61	8.46	8.24	8.27	8.07
Total.....	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Class	2003	2004	2005	2006	2007
Real Property.....	89.40%	89.97%	90.59%	91.28%	91.73%
Personal Property .....	10.60	10.03	9.41	8.72	8.27
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: County of Iron

**County of Iron**  
**Property Tax Rates**  
**Fiscal Years Ended December 31, 2004 Through 2008**

Levy	Fiscal Years Ended	Allocated	Youth Camp (1)	Medical (1)	Debt (1)	Senior Citizen (1)	Health Dept. (1)	Total
December 1	December 31							
2003	2004	6.5300	0.5000	1.500	3.1971	0.2663	0.0	11.9934
2004	2005	6.5300	0.4968	1.4580	3.8679	0.2645	0.0	12.6172
2005	2006	6.3941	0.4864	1.4431	3.2750	0.2643	0.2500	12.1129
2006	2007	6.2726	0.4771	1.4408	3.0930	0.2592	0.2452	11.7879
2007	2008	6.2468	0.4979	1.4348	3.3950	0.2581	0.2441	12.0767

(1) Voted.

**County of Iron**  
**Property Tax Collections**  
**Fiscal Years Ended or Ending December 31, 2004 Through 2008**

December 1	Fiscal Years Ended or Ending	County	Collections to March 1	Percent Collected to March 1
<u>Levy</u>	<u>December 31</u>	<u>Tax Levy (1)</u>	<u>Following Levy</u>	<u>Following Levy</u>
2002	2004	13,488,780	12,454,513	92.3 3
2003	2005	14,779,319	13,765,550	93.1 4
2004	2006	15,589,708	14,610,550	93.7 2
2005	2007	15,362,743	14,367,730	93.5 2
2006	2008	16,408,865 (2)	15,334,876 (3)	93.4 5

(1) Includes real property taxes.

(2) As adjusted

(3) At settlement

Source: County of Iron

**Profile of the Ten Largest Taxpayers**

Reflected below are the County's ten largest property taxpayers, their principal product or service and respective Taxable Value for its fiscal year ended December 31, 2007.

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	<u>Percent of Total (1)</u>
WE Energies	Utility.....	\$ 29,744,162	6.49%
Great Lakes Gas Transmission.....	Utility.....	25,502,350	5.56
Enbridge Energy, LTD.....	Utility.....	3,983,000	0.87
Gary L. Ort Sustainable Forest	Financial Institution .....	2,968,673	0.65
Upper Peninsula Power/UPPCO .....	Utility.....	2,914,987	0.64
Angeli Management Corp.	Diversified Grocery Store	2,796,025	0.61
Northern Trust/Young Recreational.....	Financial Institution .....	2,603,950	0.57
Lake Shore Inc/Oldenberg Group .....	Diversified Manufacturer .....	2,438,910	0.53

Krist Oil Co Inc. ....	Gas Stations .....	2,101,808	0.46
------------------------	--------------------	-----------	------

Connor Sports Flooring	Wood Products Manufacturing	1,823,676	0.40
		<u>\$76,877.541</u>	<u>16.78</u>

(1) Based on \$458,346,031 which is the County's Taxable Value for the fiscal year ended December 31, 2007.  
Source: County of Iron

**County of Iron**  
**Revenues from the State of Michigan**  
**Fiscal Years Ended December 31, 2000 Through 2007**

	Fiscal Years Ended December 31				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 (1)</u>
State Sales Tax.....	\$ 297,113	\$ 262,636	\$ 257,974	\$ 228,198	\$ 77,464

(1) An additional \$141,406 was transferred from the Revenue Sharing Reserve Fund which will be drawn down over the next 9.63 years @ \$223,904 for 2005, \$231,293 for 2006, \$239,851 for 2007, etc.  
Source: Iron County and the Michigan Department of Treasury.

## COUNTY DEBT

### Constitutional Debt Limitations

Article VII, Section 11 of the Michigan Constitution states "No county shall incur any indebtedness which shall increase its total debt beyond 10 percent of its assessed valuation".

### Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur as of December 31, 2005.

Debt Limit (2).....		\$63,078,605
Debt Outstanding .....	\$18,640,449	
Less: No County Credit Pledge Issues .....	<u>0</u>	<u>18,640,449</u>
Legal Debt Margin.....		<u>\$44,438,156</u>

### Debt Statement

The following table reflects a breakdown of the County's direct and underlying debt as of December 31, 2007. Direct debt that is shown as self-supporting is paid from sources other than the County's General Fund.

To the extent necessary, the County may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the bonds that are designated as Unlimited Tax ("UT"). However, the County's ability to levy taxes to pay debt service on the bonds that are designated as Limited Tax ("LT"), is subject to applicable statutory and constitutional limitations.

County Direct Debt	Gross	Self-Supporting	Net
Michigan Transportation Fund Bonds:			
Dated February 12, 2003 .....	\$ 2,055,000	\$ -0-	\$ 2,055,000
Subtotal .....	<u>\$ 2,055,000</u>	<u>\$ -0-</u>	<u>\$ 2,055,000</u>
General Obligation Bonds:			
Dated March 3, 2005 (UT) .....	\$ 2,619,400	\$ -0-	\$ 2,619,400
Dated August 12, 2004 (LT) .....	99,000	-0-	99,000
Dated August 19, 2003 (LT) .....	372,000	-0-	372,000
Dated August 19, 2003 (UT) .....	2,392,230	-0-	2,392,230
Dated November 1, 2002 (UT) .....	7,755,000	-0-	7,755,000
Dated September 1, 2001 (LT) .....	3,347,819	-0-	3,347,819
Subtotal .....	<u>\$ 16,585,449</u>	<u>\$ -0-</u>	<u>\$ 16,585,449</u>
Total .....	<u>\$ 18,640,449</u>	<u>\$ -0-</u>	<u>\$ 18,640,449</u>
Per Capita Net County Direct Debt (1).....			\$1,418.82
Percent of Net Direct Debt to Total SEV (2) .....			2.94%

<u>Underlying Debt of County (3)</u>	<u>Total</u>
Cities .....	\$ 325,000
Townships .....	50,000
School Districts .....	9,480,000
Intermediate School District .....	31,689
Library .....	<u>203,125</u>
Total Underlying Debt .....	<u>\$ 10,089,814</u>
Per Capita Underlying Debt (1) .....	\$767.99
Percent of Underlying Debt to Total SEV (2) .....	1.71%
Total Direct and Underlying Debt .....	<u>\$ 28,730,263</u>
Per Capita Net Direct and Underlying Debt (1) .....	\$2,186.81
Percent of Net Direct and Underlying Debt to Total SEV (2) .....	4.53%

(1) Based on the County's 2000 Census population of 13,138.

(2) Based on \$634,078,605 which is the County's Total SEV for its fiscal year ended December 31, 2007

(3) Underlying Debt is the debt of the municipal entities located in the County.

Source: County of Iron and the Municipal Advisory Council of Michigan.

#### **Pension Plan**

The County participates in a defined benefit plan that covers all full-time employees and limited part-time employees that is administered by the Michigan Municipal Employees Retirement System. The County is required to contribute \$179,016 for the fiscal year beginning January 31, 2008 (2006 Valuation). Effective April 1, 2004, all new hires (with the exception of 9-1-1 Dispatchers) are enrolled in the MERS/ICMA-RC Defined Contribution Plan.

#### **County of Iron Employees Retirement System Five-Year History**

<u>Valuation Date December 31</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Actuarial Liability</u>	<u>Funded Ratio</u>
2002	\$11,569,884	\$13,573,832	85.2
2003	12,919,386	15,366,394	84.1
2004	14,047,247	16,280,905	86.3
2005	15,180,227	17,654,380	86.0
2006	16,550,352	19,179,767	86.3

Source: County of Iron and MERS



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

## **REPORT TO MANAGEMENT**

Members of the Board of Commissioners  
County of Iron, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Iron, Michigan, for the year ended December 31, 2007, and have issued our report thereon dated June 24, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated December 19, 2005, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Iron, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance in OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Iron, Michigan's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Iron, Michigan's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on County of Iron, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Iron, Michigan's compliance with those requirements.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 24, 2007.

Members of the Board of Commissioners  
County of Iron, Michigan

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Iron, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of property and equipment for the purpose of calculating depreciation is based on management's past experience with useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives on fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures were corrected by management and were primarily made to properly accrue revenues and expenditures.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 24, 2008.



Members of the Board of Commissioners  
County of Iron, Michigan

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

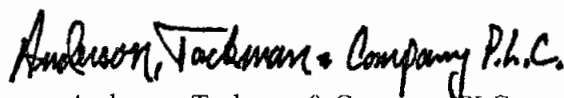
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Comments and Recommendations**

In planning and performing our audit of the financial statements of the County of Iron, Michigan, for the year ended December 31, 2007, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated June 24, 2008, on the financial statements of the County of Iron, Michigan.

This information is intended solely for the use of members of the county board and management of Iron County and is not intended to be and should not be used by anyone other than these specified parties.

  
Anderson, Tackman & Company, PLC  
Certified Public Accountants

June 24, 2008

## **IRON COUNTY, MICHIGAN**

### **COMMENTS AND RECOMMENDATIONS**

December 31, 2007

#### **COUNTY CASH RECONCILIATION**

**Comment:**

1. Bank accounts relating to co-mingled cash of the County were not reconciled with the general ledger between September through December 2008 (repeated comment from previous years).
2. Co-mingled cash accounts of the County do not reconcile with the general ledger, resulting in a variance in the amount of \$13,369.61, a change in variance of \$42.46 compared to prior year (repeat comment from previous years).

**Recommendation:**

We continue to recommend bank accounts be reconciled with the general ledger of the County each and every month. This lack of internal controls over the safeguarding of County assets will be reported as a "material weakness". A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a misstatement of the County of Iron's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. It is essential for the County to reconcile all bank accounts to the general ledger to strengthen the internal controls over cash.

**Management Response:**

No response was made available by management.

#### **FLEXIBLE SPENDING TRUST**

**Comment:**

The activity for medical reimbursement and HRA's are not being reconciled on a monthly basis (repeat comment from previous years).

**Recommendation:**

We recommend the medical reimbursement and HRA accounts be reconciled on a monthly basis in order to strengthen the internal controls over these funds of the County.

**Management Responses:**

No response was made available by management.

**IRON COUNTY, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

December 31, 2007

**ECONOMIC DEVELOPMENT CORPORATION**

**Comments:**

1. The EDC's checking account only requires one signature on a check.
2. We noted property tax expense in the EDC Fund was offset with a receipt from Global Response to pay the property taxes.

**Recommendations:**

We recommend checks written out of the EDC checking account possess two signatures in order to strengthen internal controls over the account.

Since the EDC owns the building, the amounts should be recorded separately, to show both the property tax expense and reimbursement revenue.

**Management Response:**

No responses were made available by management.

**DEFICIT FUND BALANCE**

**Comment:**

As of December 31, 2007, the Drug Court Grant Program Fund had a deficit fund balance in the amount of \$8,432. A deficit fund balance is a violation of Public Act 275.

**Recommendation:**

We recommend the County submit a Deficit Reduction Plan to the State of Michigan as required by Public Act 275.

**Management Response:**

No response was made available by management.

## **IRON COUNTY, MICHIGAN**

### **COMMENTS AND RECOMMENDATIONS**

December 31, 2007

#### **SHERIFF'S DEPARTMENT**

##### **Comments:**

1. We noted employee names listed as signatories on Sheriff's Department checking accounts who are no longer employed with the County.
2. We noted disbursements from a Sheriff's Department checking account which are not approved by the County Board. These disbursements are made based on the discretion of the Sheriff's Department.

##### **Recommendations:**

We recommend former employees listed as signatories be removed from the bank accounts.

We recommend all disbursements of the County be approved by the County Board.

##### **Management Response:**

1. Former employee names were removed from all accounts with the exception of the Forfeiture Account. This is an oversight that is in the process of being corrected.
2. The disbursements from this account have always been within the control and discretion of the Sheriff. This monies disbursed from this account are all tracked and audited by the County Treasurer and the account is reconciled by the Treasurer on a monthly basis. The revenue source for this fund is money that is generated by the Sheriff by activities such as inmate commissary and hygiene sales, inmate phone commission and other activities and is spent on items that are not included and or anticipated in the annual budget, such as new radios and equipment for patrol cars, the moving of the radio repeater, computer equipment, camera security equipment and numerous items for the health and welfare of the jail inmates.

## **IRON COUNTY, MICHIGAN**

### **COMMENTS AND RECOMMENDATIONS**

December 31, 2007

#### **ELECTRONIC FUNDS TRANSFER (EFT) NOTIFICATIONS**

**Comment:**

EFT notifications of receipt from the State of Michigan are being emailed to the Register of Deeds Office.

**Recommendation:**

We recommend the Deputy Treasurer receive the EFT notifications sent by the State of Michigan and to access online the necessary supporting documentation relating to the EFT. This will enable EFT receipts to be recorded timely and more accurately into the general ledger.

**Management Response:**

No response was made available by management.

#### **FIXED ASSETS**

**Comments:**

We noted (3) fixed assets with an accumulated cost of \$90,803.22 which were not recorded on the fixed asset listing of the County.

**Recommendations:**

We recommend additional efforts are made, to ensure fixed asset purchases meeting the County's capitalization policy, be recorded on the County's fixed asset listing.

**Management Response:**

Additional efforts will be made, as available staffing permits, to ensure that fixed asset purchases meeting the county's capitalization policy, are recorded on the County's fixed asset listing. In times of staffing cut-backs, and increased GASB 34 staff time compliance requirements, fixed asset purchase and grant purchase communications by separate local governments and separate legal entities (EDC) need to be improved upon.

## **IRON COUNTY, MICHIGAN**

### **COMMENTS AND RECOMMENDATIONS**

December 31, 2007

#### **ACCOUNTS RECEIVABLES**

**Comment:**

We noted accounts receivables as of December 31, 2006 still recorded as a receivable as of December 31, 2007. These receivables had been collected during 2007.

**Recommendation:**

We recommend additional efforts are made to track the collection of receivables in order to properly record the receipt as a reduction to the receivable account.

**Management Response:**

No response was made available by management.

#### **DUPLICATE RECEIPT**

**Comment:**

We noted a receipt for grant revenue recorded twice in January 2008.

**Recommendation:**

We recommend additional efforts are made to prevent the duplicate recording of a receipt. As a result of cash reconciliations not being performed since August 2007, the cash reconciliation process was unable to discover such an error.

**Management Response:**

No response was made available by management.

## IRON COUNTY, MICHIGAN

### COMMENTS AND RECOMMENDATIONS

December 31, 2007

#### ACCOUNTS PAYABLE

**Comment:**

1. We noted unrecorded accounts payables in the amount of \$37,860 during our audit.
2. We noted accounts payables as of December 31, 2006 which were still recorded as payables as of December 31, 2007. These payables were paid during 2007.

**Recommendation:**

We recommend additional efforts are made to ensure all unpaid billings are recorded as an accounts payable, along with the efforts to track when accounts payables have been paid in order to properly record the payment as a reduction to accounts payable.

**Management Response:**

No response was made available by management.

#### TITLE IV-D COOPERATIVE REIMBURSEMENT EXPENDITURE REPORTS

**Comment:**

We noted several Title IV-D Cooperative Reimbursement Expenditure Reports (Form DHS-286) prepared by the Prosecuting Attorney's Office and the Friend of the Court being filed late.

**Recommendation:**

We recommend monthly expenditure reports be filed on a timely basis in compliance with the Michigan Department of Human Services (DHS) 30 day reporting requirement.

**Management Response:**

DMG Maximus is the firm we contract with to prepare these reports in a timely fashion. After consulting with DMG Maximus it was determined several reports were filed late due to the employee who normally prepares the reports for DMG Maximus being on leave. Should these reports continue to be filed belatedly, management will terminate their contract with DMG Maximus and seek the services of another firm.

**IRON COUNTY, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

December 31, 2007

**GENERAL TRUST & AGENCY FUND**

**Comment:**

There are several account balances in the General Trust & Agency Fund which have remained unchanged for years, and others which have accumulated an unusual balance based on the nature of the account.

**Recommendation:**

We recommend the Treasurer's Office review and reconcile the account balances within the General Trust & Agency Fund to ensure which balances are accurately reflected, and which balances require additional action to correct amounts.

**Management Response:**

No response was made available by management.